

Kirklees College Corporation

AUDIT COMMITTEE

Minutes of a meeting held at 15.00 on 13 June 2022 via Microsoft Teams

Present:	Ms J Walters Ms M Carabine Dr A Conn Mr M Pearmain	Independent Member (Chair) Independent Member Independent Member Co-opted Member
Attendance:	4/4 = 100%	KPI 80% Quorum: 3
In attendance:	Mr M Bennington Mr A Bramley Ms J Green Mr R Harwood Mr R Lewis Mr A McCulloch Mrs R Meara Mr D Rayneau Mr P Singh Mr N Spaxman	Vice Principal Corporate Operations RSM Clerk to the Corporation Head of Health & Safety (Item 9) RSM TIAA Executive Finance Director Executive Director Business Systems Principal/CEO Head of IT and Systems Development (Item 10)

Item

Action/ Report Item

CLOSED SESSION		
0	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS	
i	The Chair welcomed the Mr R Lewis ("RL") to the meeting, the College's Audit Partner for the new external auditor (accounting and advisory firm RSM). Noting that the outgoing auditor Grant Thornton had acted for the Corporation for eleven years, the Committee agreed to formally put on record its thanks for services rendered.	
ii	The Chair explained that a closed session was held before each Committee meeting to allow for private discussion with the auditors. RL said he was looking forward to working with the Committee. He encouraged Members to reach out to him directly with any concerns.	
iii	Mr A McCulloch ("AM") of TIAA said he had had cause to complain to management about the unauthorised use of TIAA intellectual property in a meeting report from a third-party provider. The TIAA report template had been used and some boilerplate content had been left in. It was unclear who the third party was or if it was a reputable provider. It was agreed that questions should be asked outside the meeting.	
iv	To provide the Committee with some additional assurance in respect of Harley Consulting.	PS
v	The arrangements for recruiting the new Vice Principal Finance and Resources were discussed. Members were pleased to hear that Executive Finance Director Mrs R Meara ("RM") had offered to stay on until the end of the 2021-22 Financial Statements audit.	
vi	The Clerk offered to leave to give an opportunity to discuss the audit of the data protection framework. There was agreement that this could wait until the open session.	
15:15 Ms J Arechiga, Mr M Bennington, Mrs R Meara, Mr D Rayneau and Mr P Singh joined the meeting.		

PRELIMINARY ITEMS		
01	WELCOME AND INTRODUCTIONS	
i	Introductions were made. Everyone welcomed RL to the meeting.	
ii	The Clerk confirmed that due notice had been given; the requirement for all persons participating to be able to communicate with one another was satisfied and the meeting was quorate.	
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST	
i	No apologies had been received.	
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.	
3.1	APPROVAL OF MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING	
i	<u>RESOLVED:</u> (i) To approve the minutes of 4 April 2022 as an accurate record.	
ii	No matters arising from the minutes were raised.	
3.2	UPDATE ON AGREED ACTIONS	
i	<u>Advise the Safeguarding Link Governor that the Committee was highly impressed by the internal audit outcome:</u> This had been actioned.	
ii	<u>Circulate the draft GDPR internal audit review report:</u> This had been actioned.	
iii	<u>Add a strategic risk relating to the effectiveness of local partnership working:</u> Not yet due.	
iv	Action (rolled over): To consider how a strategic risk relating to the effectiveness of local partnership working might be formally articulated for inclusion in the Risk Register.	RM
INTERNAL AUDIT		
4	INTERNAL AUDIT REVIEW REPORTS	
i	Progress against the Internal Audit Plan was reviewed. All planned audits had been completed and the follow-up audit was planned for week commencing 4 July 2022. <u>Internal Audit Assurance Review: Assurance Review of ICT Data Protection - GDPR</u>	
ii	AM said the review had assessed compliance with the key GDPR elements of: <ul style="list-style-type: none"> ➤ Privacy Impact Assessments; ➤ Data Subject rights (e.g. Subject Access, Right to be Forgotten); ➤ Data Classification and Asset management; ➤ Data Security & Breach Management; ➤ Governance & Consent; and ➤ Data Controllers & Processors. 	
iii	It had yielded a 'Reasonable' assurance opinion, with two 'Important' ¹ and six 'Routine' ² control issues identified.	

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
iv	The first 'Important' recommendation was that the actions that had been identified must be supported by key stakeholders, i.e. it was not just the Data Protection Officer's ("DPO") responsibility to implement the action plan.	
v	The second 'Important' recommendation was to put in place a GDPR-compliant Article 30 register of processing. A Member queried the target implementation date for this of February 2023. AM said if it was not to be a tick-box process, staff would need to be trained properly on a complex process. Management envisaged that it would be a three-stage implementation process, with the final stage to include chasing late adopters.	
vi	A typo was identified against recommendation 8; the correct date was August 22.	
vii	<p>Corporation report: An internal audit of compliance with the General Data Protection Regulations yielded a 'Reasonable' assurance opinion with two 'Important' control issues. There is clearly much to do in this area and the Committee is watching it closely.</p> <p><u>Internal Audit Assurance Review: Key Financial Controls – Budgetary Control</u></p>	Report Item 1
viii	<p>The review of Key Financial Controls had looked at:</p> <ul style="list-style-type: none"> ➤ the budget preparation process; ➤ the budget monitoring arrangements; and ➤ reporting to the Corporation/Finance Committee. 	
ix	<p>The scope had not included:</p> <ul style="list-style-type: none"> ➤ consideration of any assumptions used in preparing budgets; or ➤ consideration of depreciation policies or apportionment of central costs. 	
x	The audit had yielded a 'Substantial' assurance opinion, with just three 'Routine' action points. Members congratulated RM and the rest of the senior team.	
xi	<p>Corporation report: The internal audit of the budget preparation process yielded a 'Substantial' assurance opinion, the highest possible level of assurance, with just three routine control issues. This is a very good outcome, providing a high level of confidence for the Corporation.</p> <p><u>Hartley Consulting Student Records Funding Audit (the "Hartley Report")</u></p>	Report Item 2
xii	The Hartley report provided independent assurance in respect of the internal control framework for ensuring the integrity of Individualised Learner Record (ILR) data and compliance with funding rules. DR warned that control gaps or weaknesses may result in financial loss and reputational damage should the College be audited by the Education & Skills Funding Agency ("ESFA").	
xiii	The audit had yielded a 'Reasonable' assurance opinion with 'Limited' assurance in respect of the 16-19 and apprenticeship funding samples. Members queried the overall judgement on this basis, saying the 16-19 and Apprenticeship funding represented the majority (80%) of the in-scope funding.	
xiv	<p>Hartley had identified three key issues:</p> <ul style="list-style-type: none"> ➤ 16-19 learners with insufficient (fewer than 540) hours; ➤ 16-19 enrichment activity registers with very few 'positive register' marks and in some cases none; and ➤ Apprenticeship off-the-job hours registers with high levels of 'not required to attend' marks – putting funding at risk of clawback. 	
xv	A Member said a key message in the report was that some College learners were not meeting their hours requirements. The Member said the College must not overlook the impact on learners.	

Item		Action/ Report Item
xii	RL said the College should aim to complete the key actions from the report by the October data submission deadline. He said the issues it identified were prevalent across the sector and the ESFA wished to address them, particularly the Apprenticeship off-the-job hours. The 'Limited' assurance opinion for apprenticeships were agreed to be cause for some unease; if the issues were not resolved by the audit point, they would be identified as an unadjusted error, effectively flagging the College for a funding audit.	
xiii	The Committee emphasised the need to proactively address the root causes of the issues and not just to rectify them. The Executive Director of Business Systems Mr D Rayneau said the plan was to take immediate action to address the issues and then look at a long-term solution to prevent recurrence.	
xiv	Corporation report: An internal audit of the internal control framework for ensuring the integrity of Individualised Learner Record (ILR) data and compliance with funding rules yielded an overall 'Reasonable' assurance opinion but flagged some concerns in respect of Apprenticeships and 16-19, which the Committee discussed. The immediate actions to address the concerns are expected to be implemented by the end of July.	Report Item 3
5	ROLLING AUDIT ACTION REVIEW	
i	It was agreed that there had been a good level of activity to address the audit recommendations. In particular, the overdue item discussed at the previous meeting (the move of email backup to the cloud), had been resolved.	
ii	Corporation Report: Good progress has been made on the implementation of recent audit recommendations.	Report Item 4
EXTERNAL AUDIT		
6.1	EXTERNAL AUDIT PLAN 2021/22	
i	RL presented RSM's 2021/22 external audit plan (the "Plan"). He said the field work would begin in October. In response to a question, he said the audit could be done remotely but on-site was advisable.	
ii	The Committee discussed the Plan, which summarised RSM's approach to the audit of the financial statements, including their plan of work, the proposed timetable and how they would report their findings. It also identified what RSM considered to be the key risks facing the business. Following discussion, the Committee agreed to report to the Corporation as follows:	
iii	Corporation report: Our external auditor RSM attended the Committee's June 2022 meeting to share a draft audit plan (the "Plan"), which sets out its proposed approach to the review of the College's accounting records for 2021-22. The Committee discussed the Plan and agreed that it should be circulated to all Governors and recommended for approval. The Executive Finance Director will also circulate an RSM guidance document which explores the key risks for the Further Education sector.	Report Item 5
iv	Action: To share the external audit plan with Corporation for approval. Also, to share, for Governors' information, a 'Sector Issues' document RSM had circulated.	RM
v	Corporation report: The Committee must ensure effective co-ordination between the internal and external auditors. Proper coordination can lead to efficient and effective audits by avoiding unnecessary duplication of efforts. In the Plan, RSM state their intention to liaise with the internal auditors (TIAA) to identify any significant matters that may inform the RSM assessment of risks of material misstatement.	Report Item 6
vi	Corporation report: The Committee is required to inform the Corporation of any additional services provided by the external auditor and explain how their independence	Report Item 7

Item		Action/ Report Item
	and objectivity are maintained. We discussed with RSM's audit partner a section from their External Audit Plan entitled "Personal Independence" and "Auditor Independent", which provides good assurance in this regard. In addition to the College audit, RSM will perform an annual report of factual findings on the college's Teachers' Pension End of Year Certificate. The Committee is satisfied that the provision of such services does not pose a threat to auditor independence.	
vii	Corporation report: The Committee is required to establish that its assurance providers adhere to relevant professional standards. RSM will conduct the audit of the College's financial statements in accordance with the International Standards on Auditing (UK) issued by the Financial Reporting Council.	Report Item 8
viii	Corporation report: The Committee is required to establish, in conjunction with College management, relevant annual performance measures and indicators to monitor the effectiveness of the external auditor. In this regard, the Committee discussed with RSM key milestones for delivery of the audit.	Report Item 9
6.2	RSM ENGAGEMENT LETTER	
i	Corporation report: The Committee reviewed the RSM Letter of Engagement. This is recommended for approval by the Corporation.	Report Item 10
ii	Action: To share the RSM Letter of Engagement with the Corporation for approval.	RM
OTHER BUSINESS		
7	FRAUD REGISTER	
i	RM said, 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 line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	Report Item 11
8	STRATEGIC RISK REPORT	
i	The strategic risk report was received. Although there had been no significant movements since the previous report, three risk scores had increased:	
ii	<u>Risk #11 - Failure to identify resources necessary to meet curriculum reforms and industry standards</u> The risk likelihood score had increased due to staff recruitment issues and budgetary pressures impacting adversely on the College's ability to maintain outstanding EBITDA.	
iii	<u>Risk #16 - Failure to meet obligations to government and awarding bodies</u> The risk likelihood score had increased due to the loss of some key staff in the internal audit team and the requirement to respond to some key findings in an internally commissioned funding audit. Furthermore, the College would need to ensure a robust handover to a new finance lead, to ensure ongoing obligations continued to be met.	
iv	<u>Risk #25 - Failure to meet business plan targets</u> RM said the risk likelihood score had increased as, whilst planned future income was coming through, withdrawals or completion delays were eroding the income forecast.	
v	A Member observed that some items on the strategic risk register had been de-risked had remained stable for some time; potentially they could come off the report? There were also some items that could possibly be split into separate risks to give clearer sight of any control gaps.	

Item	Action/ Report Item
<p>vi A Member recalled a discussion at the 27 May Corporation meeting about an electricity price hike that had taken the College by surprise. The Member reminded the meeting that, in 2016, the College (under a different management team) had inadvertently overlooked an unfavourable clause in a grant agreement and the Committee had suggested then that the risk of poor contract management should be added to the strategic risk register. The Member suggested that management revisit the decision not to add the risk, since it appeared to have given rise to a further unexpected financial liability.</p> <p>vii RM said the Risk Management Group would continue to review the risk register, including to identify any gaps. They would use the RSM FE sector risks report for benchmarking. She said it might be appropriate to add the risk of ineffective governance, as the Post 16 Audit Code of Practice had positioned this as an area of focus.</p> <p>viii Corporation report: The Committee received a report on strategic risk and discussed movements in the risk scores and possible emerging risks. Since April, the average score had risen from 9.9 to 10.3.</p>	Report Item 12
<i>16:20 Mr R Harwood joined the meeting.</i>	
<p>9 HEALTH & SAFETY COMPLIANCE REPORT</p> <p>i The Head of Health & Safety, Mr R Harwood (“RH”) shared compliance data for legislative and regulatory required checks and controls.</p> <p>ii There had been a reduction in late regulatory checks and none had been missed. The Committee was pleased to see strong levels of compliance, including in areas formerly categorised as high risk such as Brunel and Taylor Hill, which now had robust processes in place.</p> <p>iii Corporation report: A report from the Head of Health & Safety provided good assurance on compliance. Internal audits of individual areas have identified some issues but we understand that these are under control, staff are engaging well, and action performance scores are high.</p>	Report Item 13
<i>16.40 Mr R Harwood left the meeting and Neil Spaxman joined the meeting.</i>	
<p>10 DATA PROTECTION COMPLIANCE REPORT</p> <p>i The Committee welcomed the Head of IT and Systems Development to the meeting. Members were concerned to note that there had been no movement on the Accountability Tracker since the previous meeting. The DPO Ms J Green (“JG”) said this indicated that there may be a risk in terms of management capacity and prioritisation of the area, but it was difficult to tell as the team had been engaged in legitimate data protection work (as detailed in the report) which had not moved the dial on the tracker.</p> <p>ii Some policy and procedure updates were noted. In particular the data breach notification procedure had been updated; this was an internal audit action and the update would be reflected in the internal audit follow-up report.</p> <p>iii Staff Training data continued to show below-target levels of completion for temporary/ agency and cleaners and catering staff. JG said at some point management would need to drill down into the data to confirm the assumption that there were acceptable reasons for the low compliance. One of the audit recommendations was concerned with GDPR training for all staff before start processing data and to repeat refreshers annually.</p> <p>iv There had been sixteen reported data breaches (including two reportable breaches but mostly relatively minor) and nine near-miss reports since 1 August 2021. Reporting had substantially picked up and this was agreed to be a healthy improvement.</p>	

Item		Action/ Report Item
v	Corporation report: The Committee received a report on data protection compliance, which was concerning as there had been no progress on the actions detailed in the accountability tracker since the previous meeting. The Committee will continue to monitor.	Report Item 14
MATTERS TO NOTE AND ADMINISTRATION		
11	DATE OF NEXT MEETING	
i	10 October 2022	
12	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all documents marked * on the agenda should remain confidential.	
17.10 Mr R Lewis and Mr N Spaxman left the meeting.		
COMMITTEE SELF-ASSESSMENT		
13	COMMITTEE REVIEW	
	<u>Terms of Reference</u>	
i	A new version of the Post 16 Audit Code of Practice had been published and the Clerk had reviewed this to see if any changes should be made to the Committee Terms of Reference. This had resulted in a couple of tweaks, as had a comparison with a good practice template Terms of Reference published by Governance 4 FE.	
ii	A Member drew attention to item 2 of the Committee's remit ("Auditors and other assurance providers") and asked what the definition of an 'assurance provider' was for this purpose. The Member pointed out that the Committee was not involved in the appointment or performance management of Hartley Consulting; which may be a material issue as the Committee was not entirely satisfied with the quality of the Hartley report.	
iii	The Clerk agreed that this was an important question, noting that the College had commissioned an annual subcontracting audit, an external audit of Further Education quality and an external governance review during the year.	
iv	Action: To clarify the meaning of "any other external assurance providers" in the Post 16 Audit Code of Practice and in the ESFA Good Practice Guide 'The scope of work of audit committees and internal auditors in college corporations'.	JG
	<u>Performance 2021/22</u>	
v	The Clerk had produced a table showing the various responsibilities of the Committee according to its agreed remit, together with the sources of assurance it had considered for each one. It was agreed that there had been good coverage.	
vi	The Clerk had circulated a questionnaire prior to the meeting, which Members were asked to complete over the next few weeks so that a full report could be produced on the Committee's effectiveness. The questions were taken from the National Audit Committee Effectiveness tool for Audit and Risk Committees, published in May 2022. The Clerk had cut the survey questions down to only include the 'Essential Principles' from the original tool but she said there were some interesting 'Good Practice Principles' the Committee could look at later on.	
vii	Action: To write up the results of the self-assessment survey.	JG
viii	Corporation report: The Committee has reviewed the proposed 2022/23 meeting dates. It intends to continue to meet on the same day and at the same time as this year. It recommends the Schedule of Business for approval, together with a slightly amended version of its Terms of Reference.	Report Item 15

Items of Report for Corporation		
1.	An internal audit of compliance with the General Data Protection Regulations yielded a 'Reasonable' assurance opinion with two 'Important' control issues. There is clearly much to do in this area and the Committee is watching it closely.	4viii
2.	The internal audit of the budget preparation process yielded a 'Substantial' assurance opinion, the highest possible level of assurance, with just three routine control issues. This is a very good outcome, providing a high level of confidence for the Corporation.	4xii
3	An internal audit of the internal control framework for ensuring the integrity of Individualised Learner Record (ILR) data and compliance with funding rules yielded an overall 'Reasonable' assurance opinion but flagged some concerns in respect of Apprenticeships and 16-19, which the Committee discussed. The immediate actions to address the concerns are expected to be implemented by the end of July.	4xiv
4.	Good progress is being made on the implementation of recent audit recommendations.	5ii
5.	Our external auditor RSM attended the Committee's June 2022 meeting to share a draft audit plan (the "Plan"), which sets out its proposed approach to the review of the College's accounting records for 2021-22. The Committee discussed the Plan and agreed that it should be circulated to all Governors and recommended for approval. The Executive Finance Director will also circulate an RSM guidance document which explores the key risks for the Further Education sector.	6.1(iii)
6.	The Committee must ensure effective co-ordination between the internal and external auditors. Proper coordination can lead to efficient and effective audits by avoiding unnecessary duplication of efforts. In the Plan, RSM state their intention to liaise with the internal auditors (TIAA) to identify any significant matters that may inform the RSM assessment of risks of material misstatement.	6.1(v)
7.	The Committee is required to inform the Corporation of any additional services provided by the external auditor and explain how their independence and objectivity are maintained. We discussed with RSM's audit partner a section from their External Audit Plan entitled "Personal Independence" and "Auditor Independent", which provides good assurance in this regard. In addition to the College audit, RSM will perform an annual report of factual findings on the college's Teachers' Pension End of Year Certificate. The Committee is satisfied that the provision of such services does not pose a threat to auditor independence.	6.1(vi)
8.	The Committee is required to establish that its assurance providers adhere to relevant professional standards. RSM will conduct the audit of the College's financial statements in accordance with the International Standards on Auditing (UK) issued by the Financial Reporting Council.	6.1(vii)
9.	The Committee must establish, in conjunction with College management, relevant annual performance measures and indicators to monitor the effectiveness of the external auditor. In this regard, the Committee discussed with RSM key milestones for delivery of the audit.	6.1(viii)
10.	The Committee reviewed the RSM Letter of Engagement. This is recommended for approval by the Corporation.	6.2(i)
11.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	7(ii)
12.	The Committee received a report on strategic risk and discussed movements in the risk scores and possible emerging risks. Since April, the average score had risen from 9.9 to 10.3.	8(viii)
13.	A report from the Head of Health & Safety provided good assurance on compliance. Internal audits of individual areas have identified some issues but we understand that these are under control, staff are engaging well, and action performance scores are high.	9(iii)
14.	The Committee received a report on data protection compliance, which was concerning as there had been no progress on the actions detailed in the accountability tracker since the previous meeting. The Committee will continue to monitor.	10(v)
15.	The Committee has reviewed the proposed 2022/23 meeting dates. It intends to continue to meet on the same day and at the same time as this year. It recommends the Schedule of Business for approval, together with a slightly amended version of its Terms of Reference.	13(viii)