

Kirklees College Corporation

**AUDIT COMMITTEE****Minutes of a meeting held on 5 March 2018 at 2.30 pm at the Huddersfield Centre**

Present:	Mr D Keeton Mr M Pearmain Ms L Precious	Independent member Co-opted member Staff member
Apologies:	Ms C Pinder Dr A Williams	Independent member Independent member
Attendance:	3/5 = 60%	[KPI 80%] Quorum: 3
In attendance:	Mr D Winward Ms M Brooke Mrs R Meara Ms D Watson Ms K Doherty	Clerk to the Corporation Vice Principal - Corporate Services Director of Finance Grant Thornton LLP Grant Thornton LLP
Apologies:	Ms M Gilluley Mr A Riley Ms C Dean Mr M Dearnley	Principal and Chief Executive Director of MIS, IT and Risk Kirklees Council IAS Kirklees Council IAS

**15. Election of Chair**

Mr Keeton was elected as Chair for this meeting.

**16. Apologies for absence**

Apologies were received as listed above. The resignation of Mr Pervais from the governing body was noted.

**17. Declarations of interest**

There were no declarations of interest.

**18. Minutes of the previous meeting**

The minutes of the meeting held on 4 December 2017 were confirmed as an accurate record.

**19. Matters arising not elsewhere on the agenda****(i) Update on agreed actions.**

The Committee received an update on agreed actions. None were outstanding.

**20. Rolling Audit Action Review (RAAR)**

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

- Of 24 internal audit recommendations, 19 (79%) were complete, 2 (8%) in progress and 3 (13%) overdue (against original target completion dates). The overdue recommendations were

the lowest category of 'Merits Attention'; there were no 'Fundamental' or 'Significant' recommendations outstanding;

- Of 2 external audit (2015/16) recommendations, 1 (50%) was complete and one (50%) was in progress. There were no Fundamental or Significant recommendations outstanding.

**RESOLVED: to receive the report.**

## 21. Annual Accounts 2016/17

### **Going Concern**

The Director of Finance presented an update on the going concern position. In view of the uncertainties over the future availability of Exceptional Financial Support as previously reported, it had been intended to arrange a joint meeting of the Audit and Finance Committees on 26 January 2018, to which the ESFA Director would be invited. However, this meeting had not taken place as the ESFA Director was not available. Instead, he had attended a Special Meeting of the Corporation on 16 February 2018. At that meeting, Mr Williamson had assured governors that further EFS would be available to support the College, subject to certain conditions, including the outcome of a further Stocktake visit by the FE Commissioner, now scheduled for 26 March 2018.

Following other developments, and under the guidance of the Financial Recovery Task & Finish Group, the Director of Finance had prepared a revised financial forecast for 2017-2022. This had included a re-forecast capital spend, an assumption of a further £750k of EFS in July 2018 to cover restructuring costs, and a one-year capital and interest repayment holiday against the local authority loan for 2018/19, which was currently being negotiated with Kirklees Council. This reduced the College's dependency on overdraft facilities, in line with the recommendation of the FE Commissioner. KPMG had been engaged to 'stress-test' the plan.

Mrs Meara distributed a cash-flow forecast for 2017-2022. This showed that a cash shortfall for the months of March 2018, March 2020, March 2021 and for June / July 2020.

However, in view of the latest developments and assurances received, the management team felt comfortable to recommend to the Corporation approval of the 2016/17 accounts on a going concern basis.

In discussion, members:

- sought assurance that the plan would cover all redundancy costs. Mrs Meara responded that £650k of the £750k would cover all these costs which would be incurred within 2017/18; the remaining £100k was to cover consultancy support costs;
- questioned the reason for the dips in cash-flow each March. It was explained that this was due to loan repayment dates which co-incided with the lowest monthly funding receipts from funding agencies and HE income;
- questioned the assurances given regarding further EFS. The Director of Finance reported that the funding Committee had approved EFS in principle of up to £6m for the College, but payments had to be applied for an approved as and when needed. Following the recent ESFA Case Conference, the ESFA Director had facilitated dialogue between the College and the Transaction Unit to discuss the College's exact requirements. A weekly cash-flow forecast was to be prepared;
- questioned whether EFS would be repayable. It was reported that the EFS was treated as a loan in financial forecasts, but this showed that the College could not start to make repayments until 2022. If the College were able to access support from the Restructuring Fund, this could replace the EFS and would be paid as grant. However, this would be dependent on the outcome of the FEC Stocktake visit and any recommendations made;

- questioned whether it would be preferable to have EFS rather than a bank overdraft facility. The DoF reported that the plan assumed there would be no overdraft, as recommended by the FEC. However, the EFSA were unlikely to commit to paying EFS over a period of several years.

### **Financial Statements Auditors' Audit Findings Report**

Ms Watson distributed an updated version of the FS Auditors Audit Findings Report since that presented to the December 2017 meeting of the Committee. She reported that in particular, the auditors needed to be satisfied with the going concern assumption and the disclosures made in accounts.

The report highlighted 3 material uncertainties as:

- the agreement of additional EFS of £750k before July 2018
- the agreement of a repayment holiday with the Local Authority for 2018/19
- the delivery of anticipated savings in relation to payroll costs.

An updated going concern assessment in the draft Members Report and Financial Statements was distributed. The Committee discussed the revisions and suggested that the wording should be further amended, to including reference that all reasonable assurances had been sought and provided, and that the assessment of risks had been fully considered.

Ms Doherty reported on updates to the pages of the report on Internal Controls. The Deputy Principal wished to clarify that the reported delayed return funding return to the ESFA had only been 24 hours late.

In relation to the recommendation regarding the periodic review of processes regarding the posting of journals by the Director of Finance, it was reported that a lot of testing had been done with no issues raised. It was a perfectly normal situation and common in most colleges, in view of small size of finance teams.

The draft Letter of Representation was distributed. Much of the content was generic but this included 3 specific points relating to the College as the impairment of the Dewsbury land, assets held for sale and the going concern disclosures.

### **Members' Report and Financial Statements**

The Director of Finance presented the draft Members' Report and Financial Statements for 2016/17. In addition to the revised page 11 referred to above, she highlighted minor changes made since the previous version presented at the December meeting. No numbers had changed, other than to reflect post-balance sheet events. Reference was included to intervention, going concern statement and the approval of the Self Assessment Report.

It was noted that the date of appointment of governor Ms Pinder should read December 2017, not 2016.

### **Annual Report of the Audit Committee**

The Clerk presented an updated draft Annual Report of the Audit Committee for 2016/17 to reflect developments since the previous meeting.

#### **RESOLVED:**

- i. to receive the reports;*
- ii. to receive the FS Auditors' Audit Findings Report;*
- iii. to approve the Annual Report of the Audit Committee 2016/17;*
- iv. to recommend to the Corporation that the Letter of Representation and the 2016/17 Members' Report and Financial Statements be approved on a going concern basis.*

**22. Fraud Register**

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

***RESOLVED: to receive the report.***

**23. Publication of papers and Declaration of Confidentiality**

***RESOLVED: that the papers on Members' Report and Financial Statements and Audit Findings report were to be declared confidential under Clause 17(2)(d) of the Instrument of Government.***

**24. Date of next meeting**

**Monday 2 July 2018, 3.30 pm**

Mr Keeton and Mrs Meara gave apologies in advance.