

Kirklees College Corporation

JOINT MEETING OF THE AUDIT COMMITTEE AND THE CORPORATION

Minutes of a meeting held at 15:30 on 29 November 2021 via Microsoft Teams

Present for the Audit Committee:

Dr A Conn	Independent Member (Chair)
Mr M Pearmain	Co-opted Member
Mrs J Walters	Independent Member
Dr A Williams	Independent Member

Attendance: 4/5 = 80% KPI 80% Quorum: 3

Present for the Corporation (Special meeting, Items 7-10 only):

Mr G Hetherington	Chair
Mr A Greaves	Staff Governor (from 16.15)
Dr A Conn	Independent Governor
Prof S Donnelly	Independent Governor (from 16.00-16.15)
Mrs C George	Vice Chair
Mr H Linn	Independent Governor (from 16.15)
Mrs J Walters	Independent Governor
Dr A Williams	Independent Governor
Mr P Singh	Executive Governor

Attendance: 9/16 = 56% KPI 80% Quorum: 7

In attendance:	Mr M Bennington	Vice Principal Corporate Operations (from Item 1B)
	Ms A Corns	Grant Thornton
	Ms J Green	Clerk to the Corporation
	Mr R Harwood	Head of Health & Safety (Item 4 only)
	Mr A McCulloch	TIAA
	Mrs R Meara	Executive Finance Director (from Item 1B)
	Mr D Rayneau	Executive Director of Business Systems
	Mr P Singh	Principal/CEO (from Item 1B)
	Ms S Mo	Grant Thornton

Item

**Action/
Report Item**

CLOSED SESSION		
1A	APPOINTMENT OF CHAIR, WELCOME AND INTRODUCTIONS	
i	Dr A Conn was appointed as Committee Chair. He welcomed everyone.	
ii	The Clerk confirmed that due notice of the meeting had been given; the requirement for all persons participating to be able to communicate with one another was satisfied and the meeting was quorate. The Chair declared the meeting open.	
0.2	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS	
i	Members recalled that the purpose of the closed meeting was to provide an opportunity for private discussion with the auditors.	
ii	Ms A Corns ("AC") of Grant said College staff had been highly responsive.	

iii	A Member remarked on how many estimates and assumptions underpinned the pension liability findings and AC agreed it was a complex area, particularly as a number of recent court rulings had had to be factored in. Actuarial advice had been sought and Grant Thornton was satisfied with the valuation and accounting treatment.	
iv	Mr A McCulloch of TIAA, said the internal audit of the College's safeguarding control framework had been completed and the findings would be reported at the next meeting. All other reviews had been scheduled.	
<i>15:50 Mr P Singh, Mr M Bennington and Mrs R Meara joined the meeting.</i>		
PRELIMINARY ITEMS		
1B	WELCOME AND INTRODUCTIONS	
i	The Chair welcomed the management team.	
ii	The Committee acknowledged Committee Member Dr A Williams, who would be stepping down from the Committee in December, after serving for over five years, including two years as chair. Members thanked him for his valuable contributions.	
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST	
i	Apologies had been received from Independent Committee Member Ms M Carabine and from Ms D Watson ("DW") of Grant Thornton	
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	APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS	
i	<u>RESOLVED:</u> (i) To approve the minutes of 4 October 2021 as an accurate record.	
3.1	MATTERS ARISING NOT ON THE AGENDA	
i	Nothing was raised.	
3.2	UPDATE ON AGREED ACTIONS	
i	<u>To agree a position on the proposed external audit fee (rolled over)</u> This had been actioned.	
ii	<u>Report on disaster recovery testing:</u> This was on the agenda.	
iii	<u>Grant Thornton notifications to the Education & Skills Funding Agency ("ESFA"):</u> This had not yet been actioned as DW had not attended the last forum meeting. It was agreed that the action was no longer relevant, since the audit was complete.	
iv	<u>Report on the phishing email exercise learning:</u> This was on the agenda.	
v	<u>2021/22 Declarations of Interests forms:</u> These had been received for all key staff and Governors. There were still some lower tier managers to chase up; some had been appointed in year and had not completed declarations yet.	
vi	Action: To chase up any final Declarations of Interests forms.	JG
<i>15.35 Head of Health & Safety Mr R Harwood joined the meeting.</i>		

COMPLIANCE REPORTS		
4	HEALTH & SAFETY COMPLIANCE MONITORING REPORT	
i	The Head of Health & Safety (“H&S”), Mr R Harwood (“RM”), presented his report. A Member commended the positive shift in compliance levels but asked about the reason for, and implications of, adopting an 85% target. The Member said some of the items falling within the 15% non-compliance tolerance could be higher risk items.	
ii	RH acknowledged this. He said the minimum compliance level had been set at 85% as this was felt to be a realistic target which departments could reasonably achieve, in some cases from a low baseline. He said the H&S Team was rolling out a programme of audits to independently verify what the Smartlog system was telling them. It was also working with all departments to fill compliance gaps, so departments hitting target would still be proactively supported to address the remaining 15%.	
iii	There was agreement that the Committee was receiving inadequate assurance in respect of the effectiveness of the process for identifying and closing all H&S compliance gaps; it was important to know what was happening with the other 15%.	
iv	Action: To liaise with the H&S Link Governor to agree how additional assurance on the process for closing H&S compliance gaps should be provided to the Committee.	RH
v	Corporation report: A report to the meeting provided assurance that the target level of Health & Safety compliance (85%) continued to be maintained across the business. The Committee has asked for additional assurance around the closing of compliance gaps, i.e. in terms of the remaining 15%.	Report Item 1
<i>15.50 Mr R Harwood left the meeting.</i>		
6	FRAUD REGISTER	
i	Due to time constraints it was agreed that Item 5 should be taken at the end of the meeting.	
ii	The Executive Finance Director Mrs R Meara (“RM”) was asked to present her Fraud report. She said, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities.	
iii	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 2
ANNUAL REPORTING 2020-21		
<i>16.00 Governors Mr G Hetherington (Corporation Chair), Mrs C George (Vice Chair) and Prof S Donnelly joined the meeting.</i>		
7	MEMBERS’ REPORT AND FINANCIAL STATEMENTS	
i	The Chair welcomed all Governors joining the meeting, reminding them that: <ul style="list-style-type: none"> ➤ a new requirement in the Post 16 Audit Code of Practice required that the External Auditors present their findings at a meeting of the Board of Governors, hence the need for a joint Audit Committee and Special Corporation meeting; and ➤ Governors had a fiduciary duty to the College’s beneficiaries and were required to exercise reasonable care, skill and diligence in the preparation of the Financial Statements and Members’ report. 	
ii	It was noted that it had been a clean audit with no adjustments to the accounts presented. All agreed that this was a fantastic achievement and the document	

	<p>produced was impressive; the team had done an excellent job. The new format, with the inclusion of photographs documenting the College's progress and achievements over the past year, was particularly remarked upon.</p>
iii	<p>The Principal, Mr P Singh ("PS") said, while it was not made explicit within it, the document was closely aligned with the College Self-Assessment report which would be presented at the Corporation meeting in December.</p>
iv	<p>RM drew attention to p19 of the report, where performance against the Restructuring Fund ("RF") targets was set out. The key measure of EBITDA¹ performance was 8.8% for 2020/21; this was 'outstanding' under the financial health measures. RM said, had the ESFA not changed its formula for calculating the debt to income ratio within overall financial health, the College would have achieved 'Good' financial health a year ahead of its RF plan.</p>
v	<p>Within the Statement of Comprehensive Income (p44 of the report), the College was reporting an increase in the operating deficit. However, this included an increase in the impact of Financial Reporting Standard ("FRS") 102 pension adjustments². There had been a large actuarial gain on the Local Government Pension Scheme, following two years of significant changes. Without this pension adjustment, the College would have achieved an operating surplus, something that was targeted through the RF Recovery plan.</p>
vi	<p>The Balance Sheet (p46 of the report) showed that net current liabilities in 2019/20 had improved to net current assets. RM said this was driven by improved current assets from a combination of solid EBITDA performance, the sale of Halifax Road and an improved position with outstanding trade debtors at year end. Current liabilities had increased, reflecting amounts repayable to the ESFA for underperformance against the Adult Education Budget.</p>
vii	<p>RM said, once the document was formally approved by the Corporation, it would be sent to the ESFA, together with the annual report of the Audit Committee, a finance record in the ESFA's required format and Grant Thornton's Audit Findings report.</p>
<p>16.15 Governors Mr H Linn and Mr A Greaves joined the meeting. Prof S Donnelly left the meeting.</p>	
8	<p>FINANCIAL STATEMENTS AND REGULARITY AUDIT FINDINGS</p>
i	<p>AC presented the Grant Thornton report on the Financial Statements and Regulatory Audit Findings and the meeting noted as follows:</p>
ii	<ul style="list-style-type: none"> ➤ The audit had been conducted as planned and was substantially complete; ➤ There were no significant findings; ➤ The additional student data testing was complete (the work carried out was not equivalent to an ESFA funding audit); ➤ There were no issues with execution of documents through Covid adjustments; ➤ The difference between the funding confirmation and what was in the financial statements³ was not material and there would be no adjustment in the accounts.

¹ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a measure of a business's operating performance which is used by the College in its financial planning and reporting.

² Colleges are required to follow Financial Reporting Standard (FRS) 102 and the 'Statement of recommended practice: Accounting for Further and Higher Education' ("SORP") in preparing their financial statements. FRS 102 and the SORP require institutions to recognise an estimate of their pension obligations in their financial statements.

³ The accounts are based on the R13 return (which is submitted in late September/early October), after which point there may be changes to the amount of funding claimed. As long as the difference is not material (it is usually around the same amount), the accounts are not adjusted but the amount is reflected in the accounts for the following year.

iii	AC highlighted the extensive work the firm had done around the Pension Provision risk. As in previous years, this section of the report spanned three pages. Substantial testing had been undertaken and Grant Thornton's internal experts had been brought in to advise. Drawing attention to the bottom of p8 of the report, AC said the additional information Grant Thornton was waiting for at the time of writing had since been received and it backed up Grant Thornton's opinion that any future impact of the GMP ruling ⁴ was unlikely to be material.
iv	AC said in terms of the 'going concern' assessment (p11 of the report), she understood that management had taken a paper to the Corporation in November and the Corporation had satisfied itself that the business was a going concern. She said Grant Thornton had looked at the paper and the forecasts and concurred with the Corporation's finding.
v	Attention was drawn to the 'Other matters' section on p14 of the report. AC said she was highlighting it simply because it was a new section to the report. It addressed the accounting treatment of the development costs for Pioneer, which was now complete.
vi	<p>Reminding Members of Grant Thornton's other communication requirements, AC drew attention to Section 5 of the audit findings report and it was noted as follows:</p> <ul style="list-style-type: none"> ➤ Grant Thornton had not been made aware of any incidents of fraud in the period and no other issues had been identified during the course of the audit; ➤ Grant Thornton was not aware of any related parties or related party transactions which had not been disclosed; ➤ Grant Thornton was not aware of any significant incidences of non-compliance with relevant laws and regulations; ➤ All bank and loan confirmation requests had been received with no issues to note; ➤ Standard representations had been requested from management as well as specific representation in respect of the significant assumptions used in making accounting estimates for the pension provision; and ➤ To date, no significant disclosure deficiencies had been identified.
vii	AC drew attention to the Regularity Audit findings (p16), reminding Members and Governors that the Regularity Audit was concerned with whether expenditure (disbursed) and income (received) had been applied for the purposes intended by Parliament and whether the financial transactions conformed to the authorities which governed them. She said Grant Thornton's work in respect of regularity had concluded and nothing had come to their attention which suggested that, in all material respects, the expenditure disbursed and income received during the period from 1 August 2020 to 31 July 2021 had not been applied to purposes intended by Parliament and the financial transactions did not conform to the authorities which governed them.
viii	In the 'Internal controls' section of the report (p17) there was a new recommendation concerning the need to obtain learner signatures on enrolment forms. The sole recommendation from the previous audit would be marked as complete following a recent discussion with the College management.
ix	Details of Grant Thornton's independence were set out on p20 under the heading 'independence and ethics'. Noting these, and having discussed all aspects of the audit findings report, the Corporation resolved as follows:

⁴⁴ the High Court judgment on equalisation of guaranteed minimum pensions in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc and others EWHC 2839 (Ch) (28 October 2018) (Lloyds).

x	<p><u>RESOLVED:</u></p> <p>(i) To receive the Grant Thornton Audit Findings report and note its contents.</p> <p>(ii) The Corporation is satisfied that, in all material respects, the expenditure disbursed and income received between August 2020 and 31 July 2021 were applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them. the Corporation agreed that it was satisfied.</p> <p>(iii) The Corporation is satisfied that there are no significant facts or matters that impact on Grant Thornton’s independence as auditors.</p> <p>(iv) To schedule the approval of the Members’ Report and Financial Statements 2020/21 for signature at the 13 December Corporation meeting, with the recommendation that they should be approved.</p>	
xi	<p>Corporation report: The Corporation is advised as follows:</p> <ul style="list-style-type: none"> ➤ The Audit Committee and Corporation jointly considered the Grant Thornton audit findings and the report was received. Grant Thornton identified no significant control deficiencies and advised that the Financial Statements were in agreement with the accounting records and had been properly prepared. ➤ The Members’ Report and Financial Statements 2020/21 are recommended for Corporation approval at the 13 December 2021 meeting. 	Report Item 3
9	<p>LETTER OF REPRESENTATION</p>	
i	<p>Corporation report: The Committee recommends the Letter of Representation for approval.</p>	Report Item 4
10	<p>ANNUAL REPORT OF THE AUDIT COMMITTEE</p> <p>The Chair presented the report, explaining that it summarised the Committee’s activities over the course of the 2020/21 financial year, covering meeting dates, Committee membership, attendance, the Committee’s view of its own effectiveness and details of its improvement plan. The internal audit coverage was listed, together with the Committee’s view of the adequacy and effectiveness of the Corporation’s assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets and the Head of Internal Audit opinion (which was also reproduced within the Statement of Corporate Governance in the Financial Statements).</p> <p><u>RESOLVED:</u></p> <p>(i) The Audit Committee approves its 2020/21 annual report.</p> <p>(ii) The Corporation received the annual report of the Audit Committee and noted its contents.</p>	
<p><i>17.00 Mr G Hetherington, Mrs C George, Mr H Linn and Mr A Greaves left the meeting.</i></p>		
<p>COMPLIANCE REPORTS</p>		
5.1	<p>DATA PROTECTION COMPLIANCE MONITORING REPORT</p> <p>Data Protection Officer Ms J Green (“JG”) presented her report, saying the College had adopted the Information Commissioner’s (“IOC”) compliance tracker. Full compliance had been assessed at 53%, with 34% of items on the checklist assessed as partially compliant or complete. Weaker areas included the recording of decisions.</p>	
i		

ii	An Oversight Group had been established. It would meet termly to monitor compliance and its next task would be to agree actions and timescales for improvement activity. The planned internal audit review of the area in March would help it prioritise.	
iii	The staff training completion rate had dropped from 92% to 84%. JG said while it was disappointing to see compliance going in the wrong direction, presumably it was due to the fact that all staff had done GDPR training at the same point in 2018, so everyone was coming up to renewal at once.	
iv	Corporation report: A report to the meeting provided assurance that no significant data breaches had occurred.	Report Item 5
5.2	CYBER PROTECTIONS REPORT	
i	A phishing email simulation test had been carried out by an external firm and the findings had been shared with Members. The Executive Director of Business Systems Mr D Rayneau (“DR”) shared a confidential report prepared by Head of IT Mr J Wilkinson (“JW”), which emphasised that staff alertness to email threats was not the only or main safeguard against cyber-attack and detailed the other layers of defence that were in place. In particular, the roll-out of two factor authentication for all College devices would prevent the use of user login details by unauthorised parties.	
ii	Corporation report: The Committee considered a report on the College’s cyber-protections and agreed that a strong control framework appeared to be in place.	Report Item 6
5.3	DISASTER RECOVERY TEST	
i	The meeting discussed the disaster recovery testing that had taken place during the October half term break. The test had focused on the ability to restore all hosted systems at the Dewsbury Springfield site following a loss of access to the systems hosted in the primary data centre at Huddersfield. Following the restore, the IT team had tested access to each system validate the integrity of the data.	
ii	A report by JW had been distributed by email on 8 November. It described the approach the College had taken to test its recovery process and explored its limitations and the assumptions that had been made. The outcome had been positive; all internally hosted systems had been restored over a two-day period, with confirmed access. Management had taken away some actions, including to look at cloud solutions for some systems to reduce the recovery period and to further strengthen the College’s controls.	
iii	A Member asked whether a two-day period without access to IT systems was manageable from a business-critical perspective. Both DR and RM said, while it would cause some operational disruption, particularly for those in the classroom, a loss of IT access for two days was not a concern from the operational perspective.	
iv	Corporation report: Disaster recovery testing has demonstrated that the College can recover all systems and validate the integrity of the data within two days. In discussion with management, the Committee established that this was an acceptable timeframe.	Report Item 7
INTERNAL AND EXTERNAL AUDIT		
11	ROLLING AUDIT ACTION REVIEW	
i	Members were pleased to hear that the number of audit recommendations being tracked had reduced by 10. It was agreed that, overall, a good level of action was being taken in response to the recommendations raised by the auditors.	

ii	There was an outstanding audit action to move the College's email backup to the cloud. RM said this had been delayed partly due to shifting resource over to implement two factor authentication but also due to concerns about the experience of another college where the restoration from a cloud backup took significantly longer than the College would deem acceptable. She said the team was specifying and procuring a system and hoped to be able to commence the move from January 2022.	Report Item 8
iii	<u>RESOLVED:</u> (i) To approve a revised completion date for Recommendation R4 (encryption of College mobile devices): March 2022.	
iv	Corporation report: A 'Routine' recommendation from April 2020 remains outstanding. The Committee extended the deadline for implementing it to March 2022. It is satisfied that implementation has been delayed for appropriate reasons, namely to let other higher priority work take precedence and it has had ample opportunity to challenge management on that prioritisation. Otherwise, good progress is being made on implementing the audit recommendations.	
MATTERS TO NOTE AND ADMINISTRATION		
12	DATE OF NEXT MEETING	
i	Monday 4 April 2022 at 3.30pm.	
13	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all documents marked * on the agenda should remain confidential.	

Items of Report for Corporation		
#	Details	Min
1.	A report to the meeting provided assurance that the target level of Health & Safety compliance (85%) continued to be maintained across the business. The Committee has asked for additional assurance around the closing of compliance gaps i.e. in terms of the remaining 15%.	4v
2.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	6iii
3	<ul style="list-style-type: none"> ➤ The Audit Committee and Corporation jointly considered the Grant Thornton audit findings and the report was received. Grant Thornton identified no significant control deficiencies and advised that the Financial Statements were in agreement with the accounting records and had been properly prepared. ➤ The Members' Report and Financial Statements 2020/21 are recommended for Corporation approval at the 13 December 2021 meeting. 	8xi
4.	The Committee recommends the Letter of Representation for approval.	9i
5.	A report to the meeting provided assurance that no significant data breaches had occurred.	5.1iv
6.	The Committee considered a report on the College's cyber-protections and agreed that a strong control framework appeared to be in place.	5.2ii
7.	Disaster recovery testing has demonstrated that the College can recover all systems and validate the integrity of the data within two days. In discussion with management, the Committee established that this was an acceptable timeframe.	5.3iv
8.	A 'Routine' recommendation from April 2020 remains outstanding. The Committee extended the deadline for implementing it to March 2022. It is satisfied that implementation has been delayed for appropriate reasons, namely to let other higher priority work take precedence and it has had ample opportunity to challenge management on that prioritisation. Otherwise, good progress is being made on implementing the audit recommendations.	11iv