

## MOULTON COLLEGE

### AUDIT COMMITTEE

#### Minutes of the meeting held on Monday, 16<sup>th</sup> November 2015

**Present:** Mr M Thomson, (in the Chair), Mr R O Driscoll and Mrs E Olson-Williams

**In attendance:** Mr M Ashton-Blanksby, Mr I Borley, Mr S Davies, Mr M Dawson, Mrs G Hulley, Mr J Mair and Mr M Wilkinson

#### PART 1

**15/15 Apologies for absence (agenda item 1)**

Apologies were received from Mr T Neville.

**15/16 Minutes of the last meeting (agenda item 2, Paper A)**

The minutes were accepted as a true and correct record.

**15/17 Matters arising (agenda item 3)**

There were no matters arising.

**15/18 Risk Management (agenda item 4, Papers B and Bi)**

Audit of work-experience procedures had been extended to include HE and Apprenticeships. Audit of Health and Safety procedures is going to be commissioned through the College's insurers. Following discussion, *the report was noted.*

**15/19 Audit Action Plan (agenda item 5, Paper C)**

This action plan had been brought forward from the July meeting and updated. New dates are shown in red. Three actions have been added from the most recent Human Resource (HR) strategy – Actions 404 and 406 have target dates of 30 September 2016; Action 405 has a target date of 30 November 2015. Following discussion, *the report was noted.*

**15/20 Audit Self-Assessment Questionnaire (agenda item 6, Paper D)**

The College completes the questionnaire as part of the regulatory audits. The document will need to be signed by the Accounting Officer and Chair of Governors.

Auditors confirmed there are no areas of concern in relation to the answers provided. The self-assessment includes a new question on page 7, about value for money for public interest activity and expenditure, although auditors are not in a position to give a definitive view and rely on representations. Confirmation was given that there were no instances of non-compliance with other areas of the questionnaire. The self-assessment will be signed at the next Board meeting in December 2015. Following discussion, *the report was noted.*

**15/21 Draft Year End Accounts – year ending 31<sup>st</sup> July 2015 (agenda item 7)**

The reports are presented to the Audit Committee to inform the Audit Management Letter. The reports are draft and do not expect any further changes.

**a) Moulton College (Paper E)**

The College reported an overall loss of £619,000. However, this figure includes £280,000 of restructuring costs (including costs of closing the dairy and residential high needs unit), and £216,000 for FRS17. In reality, the consolidated accounts show an operating deficit of circa £100,000.

Members' attention was drawn to a note on Page 27 which indicates a College deficit of £1,438,000. It was explained that this was principally to do with the waiver of a loan to Moulton College Developments (MCD) Ltd, to correct the gift aid position in the subsidiaries. This has a nil effect in the consolidated accounts.

In relation to Note 32, Page 56, the Director of Finance and Corporate Services agreed to revisit last year's accounts in order to make a comparison with information provided about any continuing liability for Saudi Arabia compared to this year. Following discussion, *the accounts were noted*.

**b) Moulton College Developments Ltd (Paper F)**

A reduction in turnover of £2,710,535 was due to the completion of the student residences at the Holcot Centre. Also, the previous year's accounts contained a sum for reversal of Gift Aid payments. The interest charged will drop as a result of the movement. Following discussion, *the accounts were noted*.

**c) Moulton Trading Ltd (Paper G)**

The subsidiary company had traded as expected with a trading profit before deed of covenant. Following discussion, *the accounts were noted*.

**d) Moulton College Enterprises Ltd (Paper H)**

The subsidiary company had traded satisfactorily and is expected to do so in the future. The report makes reference to a shareholding in the Oxford Partnership LLC. Although the amount of share capital that had to be issued was not great, the accounts should reflect the costs of the investment. The auditors will provide feedback on how this should be addressed. Following discussion, *the accounts were noted*.

**15/22 Audit Highlights Memorandum and Management Letter (agenda item 8, Paper I)**

The report was discussed. Auditors have carried out a similar process to previous years. The executive summary on page 3 confirms the auditors' intention to issue a clean audit opinion. Apart from five outstanding matters, everything else is where the College is expected to be at this time.

The overall deficit for the year was £619,000 compared to £651,000 in the previous year. This reflects a reduction in funding council income of £1.4 million compared to 2013/14. This is offset by cost savings in respect of staff costs and non-pay expenditure.

There are no unadjusted audit differences to report on. There are also no specific issues to report on in the regulatory audit. This has a clean opinion. No significant risks were raised regarding the prevention and detection of fraud. Subsidiary audits are virtually complete apart from four points listed on Page 5. There are no significant risks arising from fraud risk from revenue recognition or management override of controls. This is subject to receipt of final funding confirmations from the Education Funding Agency (EFA) and Skills Funding Agency (SFA).

In overall financial performance and going concern, the college is budgeting for a surplus of circa £296k in 2015/16. As at September 2015, performance was

marginally ahead of budget. All other areas of the audit focus namely, accruals, estate valuation, regularity audit programme, pension assets and liabilities and taxation are showing no specific issues to report on.

Recommendations arising from the audit included a medium risk relating to bank covenant compliance reporting. It was agreed the Director of Finance and Corporate Services, that:

- Contact is made with Barclays Bank to agree a way forward;
- As Santander had previously indicated a willingness to take on this loan, to explore further;
- A brief paper is produced for the Board explaining how the situation may be resolved and a date when a conclusion might be reached.

*Following discussion, the report was noted.*

**15/23 Internal Audit Annual Report (agenda item 9, Paper J)**

The report summarised the work carried out during the year. Reasonable assurance was given for the College's systems of internal control, governance and risk management. All were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy. The report confirmed that the College has adequate and effective management, control and governance processes in place to manage the achievement of its objectives. This is the highest level of assurance. *Following discussion, the report was noted*

**15/24 Internal Audit Report HR Strategy (agenda item 10, Paper K)**

The review focused on the HR strategy, training and development plans and succession planning. Reasonable assurance was given that the areas of the control environment tested during the audit are designed and operating effectively with no significant weaknesses.

The report included three medium priority recommendations:

- The People Strategy needs to be updated (September 2016);
- Implementation of planned changes to the training and development process (November 2015);
- Incorporation of succession planning into the performance development review process (September 2016).

The report highlighted two areas of good practice in relation to recruitment and training and development. *Following discussion, the report was noted.*

**15/25 Internal Audit Progress Report (agenda item 11, Paper L)**

The work completed to date was discussed and noted.

**15/26 Chair's Expenses (agenda item 12)**

The Chair had no UK expenses in 2014/15. Any expenses incurred for overseas incidentals have been picked up by The Oxford Partnership (TOP) LLC.

**15/27 Date of next meeting (agenda item 13)**

Monday, 11<sup>th</sup> April 2016 at 4.00 pm

**15/39 Any Other Business (agenda item 14)**

There was no other business.

Part 1 of the meeting concluded. Mark Ashton-Blanksby left the meeting.