

MOULTON COLLEGE

AUDIT COMMITTEE

Minutes of the meeting held on Monday, 10th April 2017

Present: Mr M Thomson, (in the Chair), Mr R O Driscoll and Mr T Neville

In attendance: Mr J Creed (Icca Education Training and Skills), Mr M Dawson (KPMG), Mr A Hartley and Mrs G M Hulley

16/39 Apologies for absence (agenda item 1)
Apologies were received from Mr S Davies.

16/40 Minutes of the last meeting (agenda item 2, Paper A)
The minutes were accepted as a true and correct record.

16/41 Matters arising (agenda item 3)
There were no matters arising that were not part of the main agenda.

16/42 Internal Audit 2015-16 (agenda item 4)

a) Follow up of previous internal audit recommendations (Paper B)

The report was outlined and discussed. The report related to a follow-up review of progress by management in implementing previously agreed internal audit recommendations. The report confirmed that only 56% of the previously agreed internal audit recommendations had been implemented. Of the remaining recommendations, 11% had been partially progressed by management and 33% had not been progressed within the agreed timescales. The report also concluded that the College was compliant with reporting on the status of recommendations accurately to the Audit Committee. The overall conclusion was a 'Limited Assurance.' Members were informed of progress with a number of actions which had now been implemented since the report had been produced. Following discussion, when considerable concern was expressed in relation to the lack of implementation of so many matters, *it was agreed that the Committee is to receive an update from the report against each action by 1st May 2017. This should include how the action will be addressed with an appropriate timescale and a specific explanation of the reasons for any further deferrals of implementation.*

b) Internal Audit Report (Paper C)

The report was discussed. This was a final report which summarised the work carried out during 2015-16. Reasonable assurance was given for the College's systems of internal control, governance and risk management. All were operating adequately and effectively and there were no instances where any breakdown of control resulted in a material discrepancy. The report confirmed that the College had adequate and effective management, control and governance processes in place to manage the achievement of its objectives. The report highlighted the need for College management to strengthen its internal control framework in those areas where the internal auditors had either provided a limited assurance opinion or raised high priority recommendations. The summary of audit and assurance activity confirmed that some actions were still outstanding. This included some high and medium priority recommendations which needed addressing and had hitherto not been addressed sufficiently quickly. *Following discussion, the report was noted*

16/43 Audit Committee Draft Annual Report (Agenda item 5, Paper D)

The draft report was discussed. It had been prepared by the Interim Director of Finance and the Clerk to the Corporation on behalf of the Committee. The report set out the matters that the Audit Committee was required to report on to the Corporation including its conclusions in respect of risk management, internal control, regularity and external audit. The report would be updated to reflect updates to outstanding actions since the last meeting in November 2017. These included:

- At the last Audit Committee meeting, members were informed that there was one low priority recommendation outstanding in the HEFCE KIS report. This had now been completed.
- In the section relating to Financial Statements Audit, the draft audit highlights memorandum and management letter had been considered. Further detail had now been included to explain the various actions that the College had undertaken around improvements to financial performance.
- Updating the Audit Register of Action to reflect the recommendations that had now been implemented.

Members were invited to offer feedback on the current draft report. Following discussion, the Committee requested further amendments to the report:

- Section 5 (a): To include the findings from the follow-up audit of the implementation of previous recommendations; conclusion and recommendations arising from the benchmarking review; and, a number of advisory recommendations.
- Section 8: This should be updated to reflect discussions in relation to progress with the Audit Register of Action.

After discussion, *it was agreed that the Audit Committee Annual Report should be updated in time for the next meeting of the Corporation on the 27th April 2017.*

16/44 Audit Self-assessment Questionnaire (agenda item 6, Paper E)

The College completed the questionnaire as part of the regulatory audits. Completion of the questionnaire confirmed compliance with the financial memorandum between the College and the ESFA (Education and Skills Funding Agency). The document would need to be signed by the Accounting Officer and Chair of Governors. It would be presented with the Audit annual report. The responses related to the period 2015-16. There were no areas of concern in relation to the answers provided. Following discussion, *it was agreed that the questionnaire should be included on the agenda at the next Corporation meeting on the 27th April 2017; the report was noted.*

16/45 Independent Business Review (agenda item 7, Paper F)

The report from BDO had been received in January 2017. The report reflected a four week period of intensive work where BDO tested the assumptions that underpinned the curriculum plan and 5 year financial plan. Overall, BDO considered that the financial forecast was prepared on a reasonable basis. Members were asked to note that there was a sensitivity in relation to growth forecasts, in particular, Higher Education. The report had been subject to a detailed review by the Finance Scrutiny Panel and would continue to be monitored closely by that group. Actions for College management included the need to

ensure that the financial plan was updated on an ongoing basis so that it was a 5 year plan based on the latest information. The Committee also stressed the importance of ensuring all actions were implemented within agreed timescales. Following discussion, *the report was received*.

16/46 Risk Management Action Plan (agenda item 8, Paper G and Gi)

The Risk Management Group (RMG) had met on the 23rd March 2017 to consider the risk register. The full risk register would be shared with the Committee at the first meeting of the year. The RMG Group Action List was considered by the Committee. The report contained some gaps in relation to completion dates and description of actions taken. Members requested that this information should be circulated to the Committee by the 1st May 2017. The Committee had also received details of the current significant risks for the College. Changes to the significant risks since November 2016 were outlined and discussed. These related to finance and the Apprenticeship Levy. Some rescoreing of existing risks had also been agreed. Clarification was provided in relation to some of the 'controls' and the actions that were now being taken to ensure greater rigour. Members also emphasised the importance of close monitoring to ensure that the agreed 'controls' were being implemented. Following discussion, *the report was noted*.

16/47 Audit Action Plan (Agenda item 9, Paper H)

Progress with the items in the report was discussed. The plan included 12 outstanding items for the year 2015-16. Members were informed of 6 actions where it was proposed that these would not be taken forward. Further research had been undertaken by each team who owned the risk and had concluded it was no longer appropriate. The Interim Director of Finance explained the rationale for each decision. Six actions would be taken forward. The internal auditors would produce a report which included the outstanding actions discussed in Agenda item 4 (a) together with the 6 actions that would be taken forward. Following discussion, *the report was noted*.

16/48 Internal Audit Reports (Agenda item 10)

a) Internal Audit Progress Report (Paper I)

The internal audit plan for 2016-17 had been approved by the Audit Committee at its meeting on the 4th July 2016. Four reports had been completed to date and all had 'Reasonable' assurance opinions. One other report had been issued in draft: Corporate Governance. The fieldwork for the other 6 reports would be completed by the middle of June 2017. Following discussion, *the report was received*.

b) Bursary Fund Compliance (Paper J)

The report carried an overall assurance rating of 'Reasonable'. The report contained 1 low, 1 medium and 1 high priority recommendations. The low priority recommendation followed a sample testing of a group of vulnerable and discretionary applications. The risk identified was that students may not be eligible for EFA funding due to their residency status. The bursary application form should be fully completed by students to demonstrate that they are eligible based on residency status requirements. The College demonstrated that at the time of the audit, whilst the confirmation of residency was absent from the bursary application form for a number of learners, evidence of residency status was held on the enrolment form for the identified learners. Checks would also be undertaken for applications in 2017-18 to ensure they were fully completed. The medium priority recommendation related to the appeals process as it was not clear what would happen as a result of a student raising an appeal. The College response confirmed that a revised student appeals procedure would be developed

by July 2017. This would demonstrate a clear and fair appeals process was in place. The appeals procedure would clearly identify what a student needed to do and what they can expect in return. The procedure would be compliant with the 16-19 EFA Bursary Fund Guidance in respect of the appeals process.

The high priority recommendation related to claims for vulnerable bursaries. Students from a number of eligible groups can apply for a vulnerable bursary. In turn, institutions can draw down the funds by submitting a vulnerable bursary funding claim form via the Student Bursary Support Service (SBSS). The College was not accessing all the funds available from the SBSS and should ascertain whether a retrospective claim for the students enrolled who would qualify as vulnerable students. Members received confirmation that a claim would be submitted where appropriate. Following discussion, *the report was received*.

c) Employability and Work-experience Strategy (Paper K)

The report carried an overall assurance rating of 'Reasonable'. The report contained 1 high and 2 medium priority recommendations. The high priority recommendation related to capturing and monitoring work experience activity. There was an EFA requirement that all work experience should be recorded on the ILR (Individual Learning Record) to show whether the student had completed internal or external work experience or both. To record the total amount of work experience, the code for the work experience band should be entered on the ILR. Following testing, a number of anomalies were identified when comparing the data held on the tracking spreadsheet to the ILR. This indicated that reconciliations had not been carried out and that the data on the ILR was inaccurate. A review of the data held on the ILR in comparison to the data recorded on the monitoring spreadsheet was recommended. Once completed, the spreadsheet must then be reconciled on an ongoing basis. The College must have evidence that the data on the ILR is accurate. The College response had confirmed that a tracking spreadsheet would be shared with the relevant team so that 2016-17 work experience data can be amended where necessary on the ILR. This would be completed by early June 2017.

The first medium priority recommendation related to planning and co-ordinating work experience activity. The Work Placement Policy required an urgent review to take into account recent changes to requirements relating to work placements/experience. The College response confirmed that the guidance would be amended by July 2017. The second medium priority related to reporting on work experience. The report highlighted that ProMonitor should be further utilised to effectively record all work placement and work experience activity. This would allow students and their tutors to record final details of the work placement, contact details and hours worked. It would also ensure that the College had a detailed record of activity for external scrutiny. Members were informed of actions that would be taken. A working group would be convened to explore the possible use of ProMonitor. This would be implemented by April 2017. Following discussion, *the report was received*

d) Fundamental Financial Controls (Paper L)

The report carried an overall assurance rating of 'Reasonable'. The report contained 1 low and 2 medium priority recommendations. The low priority recommendation related to financial regulations and procedures. A review of the College's financial regulations and associated procedures was required. This would ensure that they reflect current practice. The review was also considered timely given the changes relating to how the College would need to collect income

due from employers as a result of the Apprenticeship Levy from May 2017. It was confirmed that the review would be implemented by June 2017.

The first medium recommendation related to control account reconciliations and the extent to which these were completed on a monthly basis as part of the month end management accounts routine. Further investigation confirmed these were taking place but that improvements could be made. Recommended actions identified the need to ensure the reconciliation process was appropriately evidenced; the month end management account checklist to be updated to include the need for the reconciliation; and, the Interim Director of Finance to review and sign off the monthly reconciliations. All of the recommendations had been agreed by the College with an implementation date of April 2017. Following discussion, *the report was received*

e) HE Data Strategy (Paper M)

The focus of the report was twofold. There was a review of HEIFES (Higher Education In Further Education Student Survey) data return and a follow up to the HEFCE Audit of KIS 2015-16. The report carried an overall rating of 'Reasonable' and contained 1 high and 1 medium priority recommendations.

The high priority recommendation related to the HEIFES ILR reconciliation. In November 2016, the College had undertaken a reconciliation of the student numbers per course prior to the submission of the data return. This would ensure the completeness and accuracy of the HEIFES data return. There was no formal reconciliation completed and this resulted in an anomaly between the number of students recorded on the ILR and the HEIFES return. It was confirmed that eligible learners were checked individually via reports generated from the unit-e student database with the HE co-ordinator. In addition, in future, this would also be cross-checked with the list of HE learners' report available in DSAT and any anomalies with either dataset could then be resolved.

The medium priority recommendation related to the HEFCE KIS follow up. The College had set up a KIS Management of Information Group to manage changes and keep abreast of changes to KIS collection rules and any other changes that would impact on the submission of data. Recommendation 1 from the HEFCE KIS Audit was yet to be implemented. The report confirmed that the KIS (UNISATS) group had reviewed its procedures and improvements had been made. These would meet the requirements of the original recommendation. Further enhancements were also planned and regular meetings would take place before the return deadline in August 2017. Meeting notes and a revised document would be completed before the return was submitted. Following discussion, *the report was received*

16/49 Date of next meeting (agenda item 11)

Monday, 3rd July 2017 at 4.00 pm

16/50 Any Other Business (agenda item 12)

Mr Dawson informed the Committee that KPMG was going through a rotation cycle. In view of this, it was appropriate that Mr I Borley would rotate off the Audit Committee at the end of the academic year. He would see through the 2015-16 accounts. Subject to the external auditor's re-appointment, it was proposed that Mr Dawson would take over the 2016-17 accounts. This was also subject to approval by the Audit Committee and the College management. Mr Borley would continue to attend the relevant Audit and Corporation meetings to deal with last year's accounts.