MOULTON COLLEGE

AUDIT COMMITTEE

Minutes of the meeting held on Monday, 2nd July 2018

Present: Mr A Clarkson (in the Chair), Mr M Thomson, Ms L Knapp and Mrs H King

In attendance: Ms A Turner, Miss A S Bruce, Mr J Creed (Icca Education Training and Skills), Mr M Dawson (KPMG), Mrs G M Hulley and Miss K Scott (KPMG)

18/09   **Apologies for absence (Agenda item 1)**
There were no apologies for absence.

18/10   **Minutes of the last meeting (Agenda item 2, Paper A)**
The minutes of the meeting held on the 5th March 2018 were accepted as a true and correct record.

18/11   **Actions outstanding from the meeting held on the 5th March 2018 (Agenda item 3, Paper C)**
5th March 2018, 16/60
Feedback had been obtained following a meeting with the Vice Chair of Corporation; a meeting with the second governor was planned. (Closed)

The remaining outstanding action would be discussed as part of a separate agenda item.

18/12   **Risk management action plan (Agenda item 4, Papers Ci and Cii)**
Members were informed that the Risk Management Group (RMG) continued to meet regularly to review the risk register. Two further strategic risks had been added since the last meeting of the RMG. The Committee was informed of the controls that had been put in place to manage the risks. Members were satisfied that the level of internal and external scrutiny as well as oversight by governors were sufficient.   The format of the report would be reviewed in due course.

Governor questions:
a. To what extent do the two reports take into account points that were raised in the Ofsted inspection? Also, are there direct links to the post-inspection action plan (PIAP)? *More work was still needed but in Paper Cii, it includes an action for the Director of Quality Improvement and Student Support to undertake a further review of the quality assurance risks, controls and actions and triangulate to the PIAP.*
b. Who monitors the risks and how frequently? *This is achieved in a variety of ways including: as part of a line management relationship; each risk is 'owned' by a member of the SLT and there is a process in place if something isn't working effectively; and, regular reports to the senior leadership team.*
c. How often does the RMG meet? *Twice a term. Risk management is also a standing item on the SLT agenda.   This helps to identify any new risks quite quickly as well as supporting the pro-active management of risks by the SLT.*

Following discussion, *it was agreed that a workshop would be organised for governors to further explore the strategic risks for governance (***Action 13** – CFO*); and, the report was noted.*

18/13	**Internal audit action tracker (Agenda item 5, Paper D)**
The report provided the latest position in relation to a number of 'high' and 'medium' risk actions that had arisen from the internal audit process for the last and current academic year. The Chief Finance Officer (CFO) outlined the internal monitoring arrangements that were in place to ensure actions were implemented by the agreed deadlines.

Governor questions:
a. For the internal audit on employability and work-experience strategy, it isn't clear what happened to the recommendation with the use of ProMonitor? *Further training was currently taking place in the use of ProMonitor with a specific focus of raising awareness of the capabilities of the software. This was very much about how information was received; what happens to that information; and then taking responsibility for that information.*
b. The report contains lots of information. I would like to see a summary table to have an overview of what progress had been made to date? *A summary table can easily be included in the next report to show the number of recommendations, progress with implementation (fully, partially, not yet completed) (***Action 14** – CFO*).*

The Chair of the Committee emphasised the importance of ensuring that where staff changes were concerned, there would be a need to have adequate handover arrangements in place. In response, examples from current practice were outlined and these would be subject to regular review. Following discussion, *the report was noted.*

18/14	**Board assurance framework (Agenda item 6, Paper E)**
The Board assurance framework (BAF) had been produced following a recommendation at the last meeting of the Audit Committee. The purpose of the report was to help the Audit Committee and Board understand where assurance was obtained in relation to the organisation's significant risks. The CFO explained the three levels of assurance. Members were invited to: comment on any gaps; ask any further questions; and, provide feedback on the format.

Governor feedback and questions:
a. The information contained in the BAF reflected the current position of the College. How would this report be used in the Audit Committee's annual report for 2017-18? *The internal auditor responded that the findings from a number of internal audit reports would feed into the BAF to give levels of assurance (where applicable). Advice around compiling the annual report included the need to draw on all types of evidence that was available. This was not just from the Audit Committee but would include evidence from external agencies and any dedicated groups that had been convened during the year. There were also a number of examples of systems and processes that had been put in place to mitigate against risk. The Committee agreed that it would be essential for the annual report to have a comprehensive narrative in support of how the risks had been mitigated.*

b. We agreed previously that the BAF would be considered by the Audit Committee at a certain point in time to see distance travelled. What happens if a new significant risk arises during the year? *Any new risks identified during the year would be added to the risk register. The BAF would provide Members with an oversight of work that was being done at a single point in time.*

Following discussion, *it was agreed that the BAF would be considered by the Audit Committee at the November meeting each year; and, the report was noted.*

18/15　**Insurance (Agenda item 7, Paper F)**
The report confirmed the insurances in place on behalf of the College and its subsidiaries for the current year. The report included details of a small number of open claims. The Committee received assurances about the current status of these claims. Following discussion, *the report was noted.*

18/16　**Internal audit report: Budgetary control (Agenda item 8, Paper G)**
The internal audit had focused on the arrangements that were in place at the College to ensure that effective budgetary control was maintained. This was in the context of ensuring that the College remained financially stable and viable as the sector continued to face cuts to funding. Other aspects of the review explored how the College's end-user management accounts at all levels of management were used to affect decision-making and financial reporting to the Corporation. The report carried an overall assurance rating of 'Limited' with 4 high and 3 medium priority recommendations. High priority recommendations related to 'authorisation and approval', 'monitoring and reporting – management and governors' and 'management accounts'. The Committee considered each management response outlined in the action plan. The CFO highlighted a number of changes that had already been implemented. Some of the proposed changes would result in changes to reporting and so subject to scrutiny by the Finance Scrutiny Panel or Corporation. It was therefore agreed that members of the Corporation should be made aware of the findings of the report in order that there was a shared understanding of the actions being taken (**Action 15** – Chair of Audit Committee). Following discussion, *the report was received.*

18/17　**Internal audit report: Management information, KPI dashboard and reporting (Agenda item 9, Paper H)**
This was an advisory report that aimed to provide an independent assurance opinion that the reporting framework developed by the College supported Governors in their scrutiny of College Performance. In 2016-17, the College had invested in a new piece of software which would allow reports relating to curriculum performance to be presented in a multitude of ways. The report identified six areas for improvement. Members received confirmation of actions that either had been taken or were planned. The Committee welcomed the support that would be provided from a Landex representative who would be completing a validation exercise in mid-July 2018. Following discussion, *the report was received.*

18/18　**Internal audit report: HE strategy (Agenda item 10, Paper I)**
This was an advisory report and Members were informed that the fieldwork had been completed in November 2017. Three areas for improvement were identified. These related to the use of SMART targets in the HE strategy; planning assumptions and sensitivities around recruitment targets; and, HE

financial forecasts. The Committee was informed of the proposed staffing arrangements which would strengthen the area and ensure a high quality experience for every learner. Following discussion, *the report was received*.

18/19   **Internal audit report: Readiness for compliance and GDPR (Agenda item 11, Paper J)**
The report carried an overall assurance rating of 'Limited'; it contained 1 high and 4 medium priority recommendations. There were 2 low priority and 1 advisory recommendation. The high risk recommendation related to 'Information you hold' and the CFO confirmed the actions associated with this risk and that they would be completed in July 2018. Other areas for improvement related to 'Accountability', 'Third party insurance' and 'Data protection by design and data protection impact assessments.' Members were informed that an action plan was in place. The CFO explained that the report demonstrated that the College was working towards compliance. Following discussion, *the report was received.*

18/20   **Internal audit plan and strategy (Agenda item 12, Paper K)**
The report included an internal audit plan for the period 2018-19 and an updated strategy for 2013/14 to 2019/20. The proposed number of days for 2018-19 was similar to last year and had been planned around 5 identified areas plus 4 non-risk areas. The planned work was discussed. The Committee questioned whether sufficient days were allocated based on the College's current situation. The CFO explained that the number of days was consistent with colleges from elsewhere in the sector. The Chair of the Committee explained the need for some flexibility in the event of any other significant risk being identified mid-year. These would need to be factored in and there would also be a need to ensure the report was kept under review to give that flexibility. Following discussion, *the plan was approved for recommendation to the Board.*

18/21   **External audit plan and strategy (Agenda item 13, Paper L)**
The strategy was outlined and discussed. The key areas of focus for the period would be around four areas of risk: 'overall financial position and going concern', 'revenue recognition', 'risk of management override of controls' and 'pensions'. Two other areas that would be considered were 'regularity' and 'accruals and deferred income.' The materiality was set at a similar level to the previous year with individual differences over £20,000 being reported. Three subsidiary entities would be reported on. Preparatory work was planned for August 2018 with the final audit planned for October 2018. The external auditor emphasised the importance of good communication throughout the process if deadlines were to be achieved.
Following discussion, *the strategy was approved.*

18/22   **Terms of reference – annual review (Agenda item 14, Paper M)**
As part of the annual review, the terms of reference had been updated to take into account changes to job titles. Following discussion, it was agreed that the terms of reference should be amended to take into account the Post-16 audit code of practice (paragraph 19) which includes:

- oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing.

Following discussion, *the proposed changes to the terms of reference were*

recommended for approval by the Corporation in July 2018.

18/23   **Meeting planner 2018-19 (Agenda item 15, Paper N)**
The report was outlined and discussed. Following discussion, *the meeting planner for 2018-19 was approved.*

18/24   **Meeting dates 2018-19 (Agenda item 16, Paper O)**
Meeting dates were agreed for 2018-19. Timings of all meetings would be 4.00pm.

18/22   **Any other business (Agenda item 14)**
The Chair thanked Mr Thomson who was retiring as governor in July 2018. Mr Thomson was thanked for his significant contribution to the Committee as a member and previously as Chair of the Audit Committee. The Interim Principal also extended her thanks on behalf of the College management team.

18/23   **Date of next meeting (Agenda item 15)**
Monday, 26th November 2018 at 4.00 pm