

## MOULTON COLLEGE

### AUDIT COMMITTEE

#### Minutes of the meeting held on Monday, 20<sup>th</sup> November 2017

- Present:** Mr A Clarkson, (in the Chair), Mr M Thomson, Ms L Knapp, Mr I James and Mrs H King
- In attendance:** Mr J Creed (Icca Education Training and Skills), Mr S Davies, Mr M Dawson (KPMG), Mrs G M Hulley and Miss A S Bruce
- 16/68 Apologies for absence (Agenda item 1)**  
There were no apologies for absence. Ms L Knapp, Mr I James and Mrs H King were welcomed as new members of the Committee.
- 16/69 Minutes of the last meeting (Agenda item 2, Paper A)**  
The minutes of the meeting held on the 3<sup>rd</sup> July 2017 were accepted as a true and correct record.
- 16/70 Matters arising**  
**16/60, Internal Audit Plan and Strategy**  
The Committee had previously highlighted the potential risks associated with student recruitment and questioned whether the audit of the 'Marketing Strategy and Perception Analysis' planned for 2019-20 should be brought forward. It was agreed that this internal audit should be completed in the current academic year. Mr Creed and Miss Bruce would discuss the arrangements for this and prepare a proposal for the Committee. (**Action 5** – CFO/Internal Auditor). The Clerk would circulate the proposal to Members for approval prior to the next meeting and seek a decision using a written resolution. (**Action 6** – Clerk)
- 16/71 Actions outstanding from last meeting (Agenda item 3, Paper B)**  
All outstanding actions were progressing as planned and not due for reporting until later in the year.
- 16/72 Risk Management (Agenda item 4, Paper C and Ci)**  
The report was outlined and discussed. The report (Paper C) included 6 significant risks. Members were informed that the risk register was monitored by the Risk Management Group (RMG) who met on a regular basis. The report indicated changes that had been made following the last meeting of the RMG. Two other spreadsheets explaining the definitions and scoring had not been included in the report and would be circulated separately. (**Action 7** – Clerk)  
Following discussion, *the report was noted.*
- Changes to the risks recorded at the last meeting of the Risk Management Group (RMG) on 17<sup>th</sup> October 2017 were outlined and discussed (Paper Ci). The item relating to 'capital projects' had been completed. Following discussion, *the report was noted.*
- 16/73 Audit Action Plan (Agenda item 5, Paper D)**  
The purpose of the report was to provide a summary of the 'high' and 'medium' actions arising from the internal audit process completed during 2016-17. A column had been included to show what progress had been made in terms of implementing each action. A number of actions had already been implemented.

The audit action plan would continue to be considered by the Senior Leadership Team on an ongoing basis to ensure that progress with implementation of actions could be monitored. Responsible officers were now fully aware of expectations in relation to actions and the proposed timescale for each action was considered realistic. The Committee welcomed the report and acknowledged the cultural change that had occurred in the last year to enable these changes to be implemented. Following discussion, *the report was noted*.

**16/74 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). No areas of concern were identified. Following discussion, *it was agreed to recommend the self-assessment to the Corporation for signature by the Accounting Officer and Chair of Governors at the Corporation meeting on the 30<sup>th</sup> November 2017*.

**16/75 Audit Committee Annual Report (Agenda item 7, Paper F)**

The draft report was discussed. It had been prepared by 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 Committee requested some additional information to be included in the report. The report should include details of current membership of the Committee. Reference should also be made to the Finance Scrutiny Panel which was formed in February 2017. Changes that arose from the review of the Committee terms of reference should be included. The section on Financial Statements should be updated to reflect the final version of the Audit Highlights and Memorandum Letter once received. Following discussion, *it was agreed that the Audit Committee Annual Report should be updated in time for the next meeting of the Corporation on the 30<sup>th</sup> November 2017 (Action 8 – Clerk)*.

**16/76 Audit Highlights Memorandum and Management Letter (Agenda item 8, Paper G)**

**Audit Highlights Memorandum and Management Letter (Paper C[i])**

The report was outlined and discussed. The external Auditors had carried out a similar process to previous years. The executive summary confirmed that subject to a number of outstanding matters, the auditors' intention was to issue a clean audit opinion in relation to the 2016-17 financial statements and regularity audits. Apart from three minor matters which would remain outstanding until the time the accounts would be approved by the Corporation, everything else was where the College was expected to be at this time.

There were no unadjusted audit differences to report on. There were also no specific issues to report on in the regulatory audit. The regularity self-assessment questionnaire had been considered in a separate agenda item. Regulatory audit received a clean opinion. The audit of each of the College's subsidiary companies had not yet been completed. In relation to the College's historic position in respect of bank loan covenants and a reported deficit for two consecutive years, revised terms and conditions (covenants) with its lender had been completed in June 2017. A technical breach of a covenant had occurred in July 2017. The bank had since reissued the relevant covenant with updated wording. The external auditors concluded that all covenants were met as at 31<sup>st</sup> July 2017.

Recommendations arising from the audit included one 'medium' and one 'low' priority performance improvement observation and followed up one 'medium' priority recommendation made in 2015-16. The medium priority performance improvement recommendation is that 'a detailed timetable for accounts close down and audit preparation is created to ensure that a good quality first draft of financial statements is available on the first day of the audit with supporting working papers.' The low priority performance improvement recommendation is that 'the fixed asset register is reconciled and reviewed on a timely basis as part of the month end close down process. The College should consider maintaining a list of all control accounts and the frequency for review and the preparer and reviewer for each account. The control accounts should then be completed and reviewed in accordance with the control account schedule to ensure completeness and accuracy.' The medium priority recommendation made in 2015-16 recommended that 'Controls over journals approval and system access are reviewed and full segregation of duties established, where possible, in respect of journal posting to provide a measure of protection for the College and the personnel concerned'. Following discussion, *any changes following feedback should be made; and, the report was noted.*

**16/77 Members' report and financial statements 31<sup>st</sup> July 2017 (Agenda item 9, Paper H)**

The report was outlined and discussed. It presented the accounts for Moulton College. The report contained a small number of outstanding items. The Committee received an assurance that these items would be resolved and the final version of this report would be presented to the Finance Scrutiny Panel (FSP) on the 27<sup>th</sup> November 2017. The Corporation would be looking for a recommendation from the FSP that the accounts could be approved. Following discussion, *it was agreed to (a) consider providing a short explanation of the term 'satisfactory' for the public version on the website; and, (b) simplify the wording of note 16 (Action 9 – CFO); and, the report was received.*

**16/78 Internal Audit: Annual Report 2016-17 (Agenda item 10, Paper I)**

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 had adequate and effective management, control and governance processes in place to manage the achievement of its objectives. In total, 3 high priority recommendations were raised in 2016-17, all of which were agreed by Management. The report confirmed an unqualified and clean opinion. Following discussion, *the report was noted*

**16/79 Internal Audit Reports (Agenda item 11)**

**a) Corporate Governance (Paper J)**

The report carried an overall assurance rating of 'Substantial' and contained 2 low priority recommendations. The first related to 'Board composition' with a recommendation to amend the Corporation's Standing Orders to include a clause which stated Governors may be appointed beyond the maximum term. This would be in exceptional circumstances or where effective succession planning required an extension to the term. This recommendation was approved by the Corporation at its meeting on the 13<sup>th</sup> July 2017. The second related to 'Governance workflow and reporting arrangements.' The recommendation to capture the challenge during meetings by Governors in respect of performance against targets and objectives would be implemented forthwith. Following discussion, *the report was noted.*

**16/80 Date of Next Meeting (Agenda item 16)**

An alternative date for the next meeting would need to be arranged. The Clerk would circulate some alternative dates. (**Action 10** – Clerk)

**16/81 Any Other Business**

The Chair confirmed that the Committee had only received the College accounts. These had been a priority in order to meet the deadline for submission to the Education and Skills Funding Agency (ESFA) of 31<sup>st</sup> December 2017. The three subsidiary accounts would be dealt with separately at a later date as these did not have to be submitted until 30th April 2018. Details of the subsidiary accounts had been consolidated into the College accounts. The financial statements auditor confirmed that sufficient work had been completed on the subsidiary accounts to be satisfied that the College accounts were acceptable. The subsidiary accounts would be considered by the Finance Scrutiny Panel in due course.

Part 1 of the meeting ended at 5.20 pm. Mr S Davies, Mrs G M Hulley and Miss A S Bruce left the meeting.