

## MOULTON COLLEGE

### AUDIT COMMITTEE

#### Minutes of the meeting held on Monday, 21<sup>st</sup> November 2016

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

**In attendance:** Mr M Ashton-Blanksby, Mr I Borley, Mr S Davies, Mr M Dawson, Mrs G M Hulley and Mr A Hartley

**16/27 Apologies for absence (agenda item 1)**

There were no apologies for absence.

**16/28 Minutes of the last meeting (agenda item 2, Paper A)**

The minutes were accepted as a true and correct record.

**16/29 Matters arising (agenda item 3)**

**Minute 16/13, (a) Internal Audit Reports: Quality Assurance – Lesson Observation and Performance Development Review (PDR) processes**

Members confirmed that they had accepted the College's assurances that positive results were expected from the new PDR process during autumn 2016.

**Minute 16/14, Internal Audit Plan and Strategy**

The internal auditor confirmed that the audit plan and strategy for 2017-18 would be updated to include the two additional items.

**Minute 16/16, Risk Management**

This outstanding item would be discussed as part of the Committee meeting under Agenda item 4 (b).

**Minute 16/17, Audit Register**

This outstanding item would be discussed as part of the Committee meeting under Agenda item 4 (b).

**16/30 Risk Management (agenda item 4)**

**a) Draft Internal Audit Annual Report (Paper C)**

The report was discussed. This was a draft report which 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 effectively and there were no instances where any breakdown of control resulted in a material discrepancy. The draft 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. It was expected that any outstanding points would be sent to the Internal Auditors by the end of November 2016. Once these responses were received, the report would then be finalised. The Audit Committee could expect to receive the final report at the next meeting in early 2017. *Following discussion, the report was noted*

**b) Moulton College Risk Management**

The Interim Director of Finance presented a report on Risk Management. The risk register had been reviewed on the 11<sup>th</sup> November 2016 by the Risk Management Group. A number of risks had been re-scored or revised to reflect the College's current situation. Due to the changes that were taking place with Apprenticeships, this had been added to the list of risks. The number of significant risks had increased by two. Some of the responsibilities had been amended to reflect the current leadership structure. The register had also been aligned to the College Strategic Plan 2016-21. Following discussion, *the report was noted*.

**16/31 Internal Audit Reports: Timeline 2016-17 (agenda item 5)**

The 2016-17 internal audit plan had previously been discussed at the last Audit Committee in July 2016. There had been a slight delay to the start of work on the first two audit reports. Discussions were taking place with the Interim Director of Finance about an amended timeline. It was confirmed that the overall delivery for the year would not be affected. Where the report on Curriculum Planning was concerned, there would now be an opportunity to look at the College's recruitment profile after the first 6 weeks of term. Following discussion, *the report was noted*.

**16/32 Audit Highlights Memorandum and Management Letter (agenda item 6, Paper D)**

The draft report was discussed. Auditors had carried out a similar process to previous years. The executive summary confirmed the auditors' intention to issue a clean audit opinion subject to a number of outstanding matters being resolved. These were discussed by the Committee.

The College was budgeting for a surplus of £1.5 million in 2016-17. The College's financial plan suggested that the financial health self-assessment score would improve compared to the previous year. The College's cash balances remained positive throughout the year but the covenant breach still had to be resolved. This was still in progress during the review.

There were no unadjusted audit differences to report on. There was one 'medium' priority performance improvement observation. This related to journal authorisation and system access. The audit of the College's subsidiary accounts had not been completed. In other significant matters, there were no issues to fraud risk. Where the technical breach of covenant was concerned, the report could not confirm that no breaches were forecast for the next 12 months. The College was in the process of negotiating revised terms and conditions with its lenders. This was subject to receipt of final funding confirmations from the EFA (Education Funding Agency) and the SFA (Skills Funding Agency (SFA).

All other areas of the audit focus namely, accruals, estate valuation, regularity audit programme, pension assets and liabilities and taxation were showing no specific issues to report on. Following discussion, *the report was noted*.

**16/33 Draft Year End Accounts – year ending 31<sup>st</sup> July 2016 (agenda item 7, Paper E)**

A report had been circulated to the Committee prior to the meeting. This outlined the latest information in relation to the progress that had been made to date to finalise the financial statements for 2015-16. To complement the written report, the Interim Director of Finance presented a progress report on the year-end

accounts. The findings from the presentation were treated as a confidential item and were recorded in a separate annex.

In terms of the subsidiaries, draft accounts for Moulton College Developments Ltd and Moulton College Enterprises Ltd had been submitted to the external auditors. Accounts for Moulton Trading Ltd would be with the external auditors by 25<sup>th</sup> November 2016. Work was still being completed on the Moulton College accounts. These would be available at the next meeting of the Corporation on the 1<sup>st</sup> December 2016. Following discussion, *the update was noted*.

**16/34 Audit Committee Annual Report (agenda item 8)**

**a) HEFCE KIS Report (Paper F)**

The report was outlined and discussed. The report included 10 recommendations of which 3 were still outstanding. The Interim Director of Finance reported that the two high priority recommendations had now been completed. The remaining low priority recommendation in relation to 'module specifications' had been reviewed with a final amendment to be completed this week. Following discussion, *the report was noted*.

**b) Annual Report**

The Committee was informed that the majority of the report had been completed. This was in relation to Corporate Governance and Internal Audit. The section on Financial Statements would be completed in line with the timeline for the external auditors. This was likely to be in early January 2017. Following discussion, *the update was noted*.

**16/35 Audit Self-Assessment Questionnaire (agenda item 9)**

The College completes the questionnaire as part of the regulatory audits. This could be fully completed once the College had received assurances about the covenant. The completed self-assessment questionnaire would be presented and signed at the next Audit Committee in early 2017. Following discussion, *the report was noted*.

**16/36 Chair's Expenses (agenda item 10)**

The Chair had no UK expenses in 2015/16.

**16/37 Date of next meeting (agenda item 11)**

Members agreed that an additional meeting should be planned for January 2017. The Clerk would make the necessary arrangements and confirm to members in due course. There is also a meeting scheduled for 10<sup>th</sup> April 2017.

**16/38 Any Other Business (agenda item 12)**

There was no other business.