

## MOULTON COLLEGE

### AUDIT COMMITTEE

#### Minutes of the meeting held on Monday, 7<sup>th</sup> December 2020 via Teams

**Present:** Mr A Clarkson (in the Chair), Mr D Aarons, Mr B Hansford, Mrs H King, Ms L Knapp and Mr M Pate.

**In attendance:** Miss A S Bruce, Mrs C Harris, Mr J Lanes (BDO), Mrs A Rowe (BDO), Mr J Creed (ICCA Education and Skills), Mr M Dawson (KPMG), Mr A Hussain (KPMG) and Mrs G M Hulley

#### **SECTION A – ROUTINE AND GOVERNANCE ITEMS:**

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**20/22 Apologies for absence (Agenda item 1)**

There were no apologies for absence.

**20/23 Declarations of interest (Agenda item 2)**

There were no declarations of interest.

**20/24 Minutes of the last meeting (Agenda item 3, Paper A)**

The minutes of the meeting held on the 29<sup>th</sup> June 2020 had been circulated previously. The minutes were accepted as a true and accurate record.

**20/25 Actions outstanding from previous meetings (Agenda item 4, Paper B)**

**Action 23, Training:** The majority of governors had now completed their online modules.

**Action 30, Health and Safety:** The findings from the independent study had been shared with the Health and Safety Committee. An action plan was being produced and would be circulated to all members.

All other actions were closed.

**20/26 Governance 2019-20 (Agenda item 5)**

- a. **Terms of reference (Paper C):** These had been updated in line with the post-16 Audit Code of Practice which was published after the last Committee meeting.
- b. **Committee self-assessment findings (Paper C):** Confirmation was provided in response to a query concerning Corporation policies and processes in relation to fraud. Members were informed that the Financial Regulations included a specific section on policy and procedures. The Financial Statements Auditors also considered fraud as part of their remit with the Group Accounts.
- c. **Public Interest (Whistleblowing) Policy (Paper C.1):** The policy had been updated to reflect current structures and practice and would be published on the College website.

**Resolved:** The Committee agreed the proposed minor change to the terms of reference and proposed change to membership. The Public Interest (Whistleblowing) Policy was approved subject to minor amendments. The Committee self-assessment findings from 2019-20 were received.

Members of the Finance and Resources Committee joined the meeting (Terry Neville, Ian James, Pauline Prow, Charles Matts and Mark Wakeford. Stuart Parkes, ESFA observer also joined).

## **SECTION B – EXTERNAL AUDITOR UPDATE:**

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20/27

### **Financial Statements Audit (Agenda item 10)**

Members of the Finance and Resources Committee were welcomed to the meeting for this section. This was in line with their responsibilities to consider the Annual Statutory Accounts in liaison with the financial statement auditor as appointed by the Audit Committee, and recommend acceptance.

#### **a. Management Letter (Paper I.1)**

The financial statements auditor reported on the audit for the year ending 31<sup>st</sup> July 2020. The Audit Committee considered the Draft Audit highlights memorandum and management letter at its meeting.

The Committee was informed of the findings in respect of the financial statements which confirmed:

- **Revenue recognition:** No significant issues arose from work in relation to processes in place for accounting for Tuition fee and education contract income, funding body income or other non-material revenue streams.
- **Management override of controls:** No issues were noted in respect of accounting policies, assumptions or methods used to prepare accounting estimates. No issues were identified in respect of journal controls. No significant transactions that were outside the College's normal course of business, or that were otherwise unusual, were identified.
- **Pension liabilities:** The review of the College's liabilities in respect of the Local Government Pension Scheme showed that the key assumptions used were within KPMG's benchmark range and disclosures were appropriate
- **Overall financial position and going concern:** The review of this area was outstanding at the time of the Audit Committee in order for KPMG to work with the most up to date financial information at the point of signing.
- **Access and participation expenditure:** The work on Access and participation expenditure was not completed at the time of the report. This was subject to receipt of draft disclosures in the financial statements and required documentation.

- (b) **Regularity:** A use of funds audit programme was completed to confirm compliance with the requirements of the ESFA, Office for Students and Research England terms and conditions of funding. Through the testing of controls and substantive items of expenditure, KPMG tested whether, in all material respects, funds had been used for the purposes given (including all sources of grant funding). There were no issues to report in respect of the above.

Subject to resolving the outstanding matters highlighted above, the External Auditor indicated that they intended to issue an unqualified audit opinion on the College financial statements for the year ending 31 July 2020. Within the audit report, the auditors will draw attention to the Going Concern as a material uncertainty, which was similar to previous years.

**b. Draft Letter of Representation (Paper I.2)**

The report included details of all the confirmations that had been noted from the audit. The Chair confirmed the report was in line with expectations.

**Resolved:** To share the Management Letter and the Letter of Representation at the next Corporation meeting on the 11<sup>th</sup> December 2020.

**20/28 Moulton College Group Report and Financial Statements (Agenda item 11, Paper J)**

The Director of Finance highlighted the key factors affecting income and expenditure in the year and also, the changes in presentation included in this year's financial statements. A discussion had been held with the financial statement's auditor regarding possible changes to the presentation of the balance sheet, including a balance of net assets before pension. The same report would be considered by the Finance and Resources Committee.

**Resolved:** The Moulton College Group Report and Financial Statements was received.

**20/29 Teachers' Pension Scheme (Agenda item 12, Paper K)**

The letter provided confirmation that the audit had been completed.

**Resolved:** To receive the representation letter in relation to the Teachers' Pension Scheme.

**SECTION C – INTERNAL AUDITOR REPORT (BDO):**

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**20/30 Internal Audit Progress Report (Agenda item 14, Paper M)**

The report confirmed that one audit had been completed. As a result of planning meetings completed to date, the scope of one review had been amended. Both internal audits were subject to discussion at the meeting.

**20/31 Corporate Governance and Risk Management (Agenda item 14, Paper M)**

The Committee was informed of the importance of good governance and risk management. The report confirmed positive assurance in both respects. The report included 2 medium priority recommendations for Corporate Governance. The first recommendation related to Corporation membership, skills and diversity with a number of suggested improvements. As the skills audit had been subject to review during 2019-20, this had resulted in the implementation of most suggestions. Where membership was concerned, the response confirmed that this would remain under review but there was a need to ensure a robust committee structure which was supported with appropriate governor membership in order to work effectively. The second recommendation related to succession planning and a potential change to the Standing Orders. The management response confirmed that criteria used by the Corporation was in line with the AoC Code of Governance.

Risk management received 1 low priority recommendation and 2 medium priority recommendations. The latter related to undertaking data integrity checks of key spreadsheets used within the College. This had been implemented. One medium recommendation related to the number of risks, risk descriptors, risk gaps and risk responses. The management response confirmed a number of actions that had been taken and that a Governor Development Day in February 2021 would be an opportunity to review and revise Strategic risk descriptions as well as update the Risk Appetite. The

second medium priority recommendation related to the need for further risk management training for staff and governors. The response confirmed that the training plan had been updated and would be launched via the Staff Hub and wider management meetings. The Governor Development Day would include an element of training.

**Resolved:** To receive the report on Corporate Governance and Risk Management.

20/32

**HR System Advisory Review (Agenda item 15, Paper N)**

The scope of the audit had changed to an advisory review of the College's new HR system. Following fieldwork, a short 'in flight' report would be produced which would highlight key observations together with practical recommendations as applicable. Such an approach would enable management to take action quickly to address issues or challenges.

**Resolved:** To approve the updated terms of reference for the HR System Advisory Review.

20/33

**Student Voice and Curriculum Contingency (Agenda item 16)**

The Committee confirmed the changes to the internal audit which would now focus on the current situation with COVID-19 and how the College would respond if a further online response was required.

**Resolved:** To approve the changes to the terms of reference for Student Voice and Curriculum Contingency.

**SECTION D – INTERNAL AUDITOR REPORT (ICCA Education and Skills):**

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20/34

**Internal Auditor's Report 2019-20 (Agenda item 17):**

**a. Follow up of previous actions (Paper O.2)**

The report was outlined and discussed. The overall conclusion was 'reasonable.' The report confirmed that the College had been fully compliant with reporting the status of implementing recommendations accurately to the Audit Committee. The report also confirmed that 21 of the previously agreed recommendations had been fully implemented. Of the remainder, 9 had been partially implemented by management; 1 had not reached the implementation date. Two recommendations were considered by management to have been superseded by virtue of the 2019-20 ESFA Mock Funding Audit review. Both recommendations would be transferred to the more contemporary report and as a result, would not be overlooked. A number of actions would be carried forward for completion by the end of April 2021. The CFO assured the Committee that the proposed timetable was achievable.

**Resolved:** To receive the Internal Auditor's Annual Report 2019-20 and follow up of previous actions.

20/35

**Stakeholder Engagement Strategy (Agenda item 18, Paper P)**

The report carried an overall assurance rating of 'substantial' with 1 medium and 1 low priority recommendation. The design was 'Good'. The medium priority recommendation was in relation to staff performance targets and the need to develop and set sales targets for relevant staff. It was agreed that this would be introduced as part of monthly monitoring meetings and reported through SLT as part of the performance monitoring data set. The low priority recommendation identified the need to establish a reportable set of KPIs to

monitor the success of the approach to employer engagement particularly in relation to Apprenticeships. Management confirmed that a set of KPIs would be agreed by the SLT in preparation for when the College was back on the Register of Approved Training Providers and in a position to begin recruiting and delivery this provision.

**Resolved:** To receive the report on Stakeholder Engagement.

**20/36 Remote Processing of Payroll and Purchase Ledger (Agenda item 19, Paper Q)**

The report carried an overall assurance rating of 'reasonable' with 2 medium priority recommendations. One medium priority recommendation was in relation to design and the need to ensure the continuity of BACS processing should a similar situation to Covid-19 arise in the future. Existing arrangements were under review to allow the continued use of the payment system in the event of a future lockdown. The second medium priority recommendation related to a risk associated with unauthorised and/or inappropriate transactions that may go undetected. Management responsible for the control procedure were aware of the reason for the difference. Documentation relating to the monthly payroll reconciliation would be reviewed to ensure adjustments and payroll reports were reconciled for management. Further improvements were also expected when the College moved to a Cloud-based system.

**Resolved:** To receive the report on Remote Processing of Payroll and Purchase Ledger.

**20/37 ESFA Mock Funding Audit (Agenda item 20, Paper R)**

The report carried an overall assurance rating of 'reasonable' with 3 medium and 2 low priority recommendations. Actions had been taken by management to ensure the recommendations had been implemented. This included: checking start dates prior to printing a learning agreement so they were within the 7-day tolerance; training by the Work Placement Officer to ensure compliance with the policy and standardisation of recording was in place; checking start dates between attendance reports and the individual learning record; introducing a digitally signed form; and, ensuring that the learning agreement was signed.

Members sought clarification about when ESFA audits were completed. Historically, this was between September and November but post-lockdown, ESFA had recently announced audits that were due for completion by the end of January 2021.

**Resolved:** To receive the ESFA Mock Funding Audit.

**20/38 Internal Auditor's Annual Report 2019-20 (Paper O.1)**

The report summarised the work carried out during the year. Seven audit reviews were completed during the year and as a result, 4 received 'substantial assurance' and 3 received 'reasonable assurance'. No 'limited assurance' opinions were issued and no 'high priority' recommendations were raised. As a result, the report confirmed that sufficient internal audit work had been undertaken to allow an opinion of 'reasonable assurance' as to the adequacy and effectiveness of the College's governance, risk management and systems of internal control for the year ending 31 July 2020. The Committee received confirmation that 'reasonable assurance' was the highest

level of assurance the College could receive. Members were also informed that 2 planned reviews had not be completed. Financial Planning had been addressed through the regular monitoring and reports from the FE Commissioner. Curriculum efficiency would have offered a retrospective view and it was agree that it would not have added any value. Sufficient work had been completed to give a full internal audit opinion.

**Resolved:** To receive the Annual Report 2019-20.

## **SECTION E – CHIEF OFFICER’S UPDATE:**

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**20/38**

### **Risk Management (Agenda item 6)**

#### **a. Annual Risk Management Report (Paper D)**

The risk register was now linked to the 10-year Strategic Plan which the Corporation and Committees monitored on an ongoing basis. Overall, the risk profile of the College remained stable with 3 of the 11 strategic risks remained above the College’s risk appetite for securing long-term financial viability, Covid-19 and ability to attract and retain staff in the current environment. The Senior Leadership Team (SLT) remained confident that risk relating to the quality of teaching and learning were on target to ensure students received excellent quality teaching and learning and that the Ofsted grading would improve at the next inspection in 2021. Recommendations from the internal audit completed by BDO had been implemented.

Members welcomed the report and acknowledged that the Strategic risks were either the ‘same’ or ‘improving’. Assurance was sought around 3 Corporate risks where the direction of travel was ‘worse’. These were closely linked to Covid-19, changes to Government policies and an ongoing commitment to supporting improvements in teaching and learning. CFO confirmed that they were being actively managed.

#### **b. Risk Management Policy (Paper E)**

The policy set out the basis on which the College would manage risk, the roles and responsibilities of governors and staff for risk management and how it would be monitored for effectiveness. The policy had minor changes including alignment to the Strategic Plan and training options.

In response to a question about training for governors, the CFO confirmed that the Governor Development Day training would be an opportunity to consider risk appetite with a focus on delivering the Strategic Plan. Assurances were sought around ensuring risk management was owned throughout the organisation. This was being addressed. Examples included: SLT meetings that involved managers had agendas which focused specifically on key risks; and, a CPD day for all staff planned for the following week was aimed at looking at the Strategic Plan and how all staff could contribute to it underpinned by an action plan.

**Resolved:** To receive the annual Risk Management Report and to recommend the Risk Management Policy to the Corporation for approval.

**20/39**

### **Internal Audit Action Tracker (Agenda item 7, Paper F)**

Good progress had been made with implementing recommendations from previous internal audits with 75% implemented or partially implemented. The remaining actions largely related to IT and data security. As resources for this had been diverted due to Covid-19, revised targets had been agreed. As a

result, the Committee was assured that the majority of outstanding actions would be implemented by the end of January 2021. Accreditation for Cyber Essentials would also have the same deadline.

**Resolved:** To receive the Internal Audit Action Tracker.

**20/40**

**Board Assurance Framework (Agenda item 8, Paper G)**

The Committee agreed that in the last 12 months, the College had moved forward significantly in terms of providing Governors with data rich information which had increased confidence in management reporting. This had improved the level of assurance from limited to moderate and substantial in a number of areas. Previously, there had been an over-reliance on assurance coming from external bodies such as Ofsted and the FE Commissioner.

Members agreed that the report helped the Audit Committee and Corporation to review where assurances came from for risks being managed and any potential gaps.

**Resolved:** To receive the Board Assurance Framework.

**20/41**

**Audit Self-Assessment Regulatory Questionnaire and Audit Committee Annual Report (Agenda item 9, Paper H)**

**a. Self-Assessment Regulatory Questionnaire:**

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 report related to the year ending July 2020. No areas of concern were identified.

**b. Audit Committee Annual Report:**

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 governance, risk management, internal control, regularity and external audit.

**Resolved:** To recommend the Self-Assessment Regulatory Questionnaire and the Audit Committee Annual Report (subject to a minor amendment) for approval by the Corporation.

**SECTION F – CLOSING ITEMS:**

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**20/42**

**Any other business (Agenda item 21)**

There was no other business.

**20/43**

**Date of next meeting (Agenda item 22)**

Monday, 8<sup>th</sup> March 2021 at 4.00 pm via Teams.