

MOULTON COLLEGE

AUDIT COMMITTEE

Minutes of the meeting held on Monday, 25th June 2019 at 2.30 pm

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

In attendance: Ms A Turner, Miss A S Bruce, Mr M Dawson (KPMG), Mr M Harrison (ICCA Education Training and Skills) and Mrs G M Hulley

19/09 Apologies for absence (Agenda item 1)
There were no apologies for absence.

19/10 Minutes of the last meeting (Agenda item 2, Paper A)
The minutes of the meeting held on the 4th March 2019 had been circulated previously. The minutes were accepted as a true and accurate record.

**19/11 Actions outstanding from previous meetings (Agenda item 3, Paper B)
18/38, Audit Action Plan**

To date, two governors had completed the training module. It was agreed that all governors should be encouraged to complete this online training. The Clerk would send a reminder (**Action 23** – Clerk). The matter would also be raised at the next Corporation meeting on the 4th July 2019. One governor raised his concerns about GDPR (General Data Protection Regulations) and the need for College email addresses to be used at all times by governors. This issue would be raised at the next Corporation meeting on the 4th July 2019.

The remaining outstanding action related to the internal audit of the quality improvement plan. The date for the completion of this audit should be changed to 2019-20.

19/12 Internal Audit Progress report: Term 3 (Agenda item 4, Paper G)

Eight audits had been completed during 2018-19 with one substantial assurance opinion, 5 reasonable assurance opinions and one limited assurance opinion. One advisory review was also completed. Where the limited assurance was concerned, members were informed that this had related to a funding audit in relation to Apprenticeships. As some control weaknesses had been identified, this could potentially impact on issuing a clean audit opinion at year end. The Committee acknowledged that Apprenticeships was a diminishing area for the College and there would be a need to take this into account with the final audit opinion. The audit plan had been amended during 2018-19 at the request of the Audit Committee to address emerging risks and issues. In one instance, the internal audit of 'financial planning and reporting framework' had been cancelled as significant work had been completed in this area in relation to the FE Commissioner intervention. A review of the 'single central record' was completed at the request of the TLA Committee. This replaced a 'curriculum efficiency audit.' Following discussion, *the report was received.*

Internal Audit Reports (Agenda item 5)**a. Human Resources (HR) (Paper H)**

This was an advisory report. The College had developed an HR Strategy and Action Plan in response to high levels of staff turnover and difficulty in recruiting to key areas of activity. The report confirmed that the areas covered by the Strategy were the ones that would be expected in a comprehensive strategy. A number of improvements to the Strategy were identified including making it more specific to the current position of the College and further contextualisation in relation to College values. The report also highlighted the need for a more detailed action plan which should be more specific to the needs of the College. The new approach of reporting to the Finance and Resources Committee was recognised in the report in a positive way as more up to date information could be presented on an ongoing basis which can then identify actions earlier. One member questioned the timelines in the advisory report's action plan and whether the College was responding quickly enough. The Committee was informed that the level of risk was low. This was a major project and the proposed timeline was realistic. Following discussion, *the report was received.*

b. IT Data Security, Infrastructure and Disaster Recovery (Paper I)

The report carried an overall assurance rating of 'Reasonable'; it contained 1 high and 5 medium priority recommendations. There were 3 low priority and 2 advisory recommendations. The high risk recommendation related to 'Security Governance'. A number of actions had been agreed to address this risk for completion by November 2019. This included the formation of a Security Governance Group and the development and implementation of an Information and Security Policy. The Chief Finance Officer (CFO) had welcomed the report and acknowledged the need to ensure that the relevant policies and procedures needed to be in place. In response to a question about the capacity of the team to implement the recommendations, the Committee was informed that the CFO had been working closely with colleagues to identify any gaps in their knowledge and how the skills could be acquired. Following discussion, *the report was received.*

c. Information and Learning Technology Strategy (Paper J)

The report carried an overall assurance rating of 'Reasonable'; it contained 1 high and 1 medium priority recommendations. The report recommended that the ILT Strategy should be revised to accommodate a number of actions detailed in the audit report. This included the need for measurable outcomes which were time bound and against which the impact and effectiveness of the strategy could be judged. The internal auditor emphasised the importance of the action plan being monitored internally. This would result in a positive impact on teaching and learning. The Committee received an assurance that the member of staff who was now responsible for implementing the actions had particular strengths in use of technology in teaching and learning and was therefore the most appropriate person to lead on this. In response to a question, the timelines in the action plan were acknowledged as challenging but were achievable. The internal auditor explained that he had completed a similar audit elsewhere in the country and would send contact details of that college to the CFO (**Action 24 – Internal Auditor**). Following discussion, *the report was received.*

d. ESFA Mock Funding Audit 16-18 and 19+ (Paper Ki)

The report carried an overall assurance rating of 'Reasonable' and contained 2 medium and 1 low priority recommendations. This was one of two mock

funding reports. The Committee considered the report in detail. The CFO outlined an approach that the senior leadership had taken to ensure that the actions contained in both reports would be addressed quickly. Actions in the report were being tracked on a weekly basis and those members of staff who were responsible were expected to report on progress to the SLT each week. The Financial Statements Auditor recommended consideration was given to completing a self-assessment against the anti-fraud checklist contained as an appendix in the Post-16 Audit Code of Practice. This could be completed at the same time as the regularity self-assessment questionnaire in early autumn 2019. Following discussion, *the report was received.*

e. ESFA Mock Funding Audit Apprenticeships (Paper Kii)

The report carried an overall rating of 'Limited' and contained 4 high risks, 2 medium risks and 1 low priority recommendations. The Committee considered a number of areas for improvement that had been identified in the report. These included, 'employment hours', 'attendance', clarification around the 'commitment statement' and 'off the job training'. The internal auditor confirmed that where the latter was concerned, this was found to be a challenge for many colleges in the sector. All of the recommendations in the action plan had been accepted by the College and were subject to weekly monitoring as detailed in the previous minute. The implications of not implementing the actions were outlined to the Committee. Following discussion, *the report was received.*

19/14

Internal Audit Plan and Strategy (2019-20) (Agenda item 6, Paper L)

The report included an internal audit plan for the period 2019-20 and an updated record of what had been audited for the period 2013/14 to 2019/20. The proposed number of days for 2019-20 was similar to last year and had been planned around 5 identified areas plus 5 non-risk areas. The internal auditor outlined the rationale for the areas that had been identified. The Chair of Committee reminded that budget monitoring had been found to be weak in 2017. It was agreed that this could be picked up as part of the proposed Fundamental Financial Controls audit. When discussing the number of reports that would be completed in time for the first meeting in November 2019, it was agreed that 'Performance Management of Staff' could be completed by that time. The internal audit of the quality improvement plan had been discussed earlier in the meeting where it had been agreed this audit would be completed in 2019-20. Further discussion prompted the priority for this internal audit to be completed in term 1 as the findings from this could inform some of the planned audits for the rest of the year. The Chair of the Committee explained the need for some flexibility with the plan which would be subject to further discussions with the internal auditor and CFO. Following discussion, *it was agreed to recommend the plan for approval by the Board.*

Mr M Harrison left the meeting.

19/15

Risk register and action plan (Agenda item 7, Paper C)

The latest version of the risk register had been circulated to the Committee. The report contained details of the strategic and significant operational risks for the College. Members' attention was drawn to any changes that had been made and explained that there had been an increase in the number that were significant. The CFO highlighted those risks which would be overseen by the Finance and Resources Committee and the Teaching, Learning and Assessment Committee. As a result, both Committees could scrutinise these risks in more detail and be satisfied that the necessary controls were in place.

In the event of any issues or additional risks identified by each Committee, this would be reported at the Corporation meeting that follows or if urgent, directly to the Chair of the Audit Committee. Members were informed of an additional risk that had been added to the risk register since this version had been produced for this meeting. Following discussion, *the report was noted*.

- 19/16 Internal audit action tracker (Agenda item 8, 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 current academic year and a small number still outstanding from 2017-18. The report would be updated to reflect the actions identified from the internal reports considered at the meeting. Following discussion, *the report was noted*.
- 19/17 Board assurance framework (Agenda item 9, Paper E)**
The report was outlined and discussed. 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 report also helped to inform the Audit Committee annual report. The CFO explained the three levels of assurance in more detail. The Chair questioned whether the overall assurance level for two significant risks were correct in view of the College's current situation. The CFO explained that in both instances, the ratings were based on certain assumptions, for example, student recruitment. Following discussion, *the report was received*.
- 19/18 Insurance (Agenda item 10, 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. In response to a question about benchmarking the cost of insurance with the rest of the sector, the CFO confirmed that following a retendering exercise completed the previous year, this had resulted in savings of approximately £70k. Following discussion, *the report was noted*.
- 19/19 External Audit Plan and Strategy (Agenda item 10, Paper M)**
The strategy was outlined and discussed. The key areas of focus for the period would be around three areas of risk: 'revenue recognition', 'management override of controls' and 'valuation of pension assets and liabilities'. Two other areas that would be considered were 'College's overall financial position and going concern' and 'regularity.' Committee members were asked to note the significant additional disclosure requirements to be included in the staff costs for the year ended July 2019. The materiality was set at a slightly lower level to the previous year with individual differences over £17,000 being reported. The current presumption was that the three subsidiary entities would be reported on subject to audit. The preparatory work was planned for July 2019 with the final audit planned for October 2019. There was an increase in the fees compared to the previous year due to a number of reasons which were outlined including the need to use more specialists. Following discussion, *the strategy was approved*.
- 19/19 Terms of reference - annual review (Agenda item 11, Paper N)**
As part of the annual review, the terms of reference had been updated to ensure that they were fully aligned to the post-16 Audit Code of Practice. Members were informed that key performance indicators would be agreed at the start of the next academic year. The Committee had one vacancy which

would be subject to discussion at the Search and Governance Committee the following week. The Committee agreed that the terms of reference should specifically mention that they are subject to an annual review (**Action 25** – Clerk). Following discussion, *the terms of reference were recommended for approval by the Corporation in July 2019.*

- 19/20 Cycle of business 2019-20 (Agenda item 12, Paper O)**
The report was outlined and discussed. Following discussion, *the meeting planner for 2018-19 was approved.*
- 19/21 Meeting dates 2019-20 (Agenda item 13, Paper P)**
Meeting dates were agreed for 2019-20. Timings of all meetings would be 4.00 pm.
- 19/22 Any other business (Agenda item 7)**
- a. Principal: The Principal would be leaving the College later in July 2019 following the appointment of Corrie Harris. The Chair thanked the Principal for her significant contribution to the Committee.
 - b. Governor training: The CFO confirmed that KPMG would hold a training session for governors in the autumn term in relation to the insolvency regime.
- 19/23 Date of next meeting**
Monday, 18th November 2019 at 4.00pm in Thornby at the Management Centre.

Part 1 of the meeting ended at 4.40 pm. Mr M Dawson left the meeting.