

MOULTON COLLEGE

AUDIT COMMITTEE

- Present:** Mr A Clarkson (in the Chair), Ms L Knapp, Mr C Matts and Mrs H King
- In attendance:** Ms A Turner, Mr F Adenaike, Miss A S Bruce, Mr M Dawson (KPMG), Mr M Harrison (Icca Education Training and Skills) and Mrs G M Hulley
- 18/33 **Apologies for absence (Agenda item 1)****
There were no apologies for absence.
- 18/34 **Minutes of the last meeting (Agenda item 2, Paper A)****
The minutes of the meeting held on the 8th October 2018 had been circulated previously. With the correction of two typographical errors in Minute 18/29 (b) and (c), the minutes were accepted as a true and accurate record.
- 18/35 **Actions outstanding from previous meetings (Agenda item 3, Paper B)****
Action 18/31, Any other business: Internal Audit Annual Report:
This would be discussed in the meeting as part of agenda item 10. (Closed)
- 18/36 **Matters arising (Agenda item 3)****
Action 18/28, Internal audit action tracker:
Members were informed that GDPR (General Data Protection Regulations) training had been made available during the October half-term and to date, 182 members of staff had completed it. Further reminders would be sent to anyone who had not completed it.
- 18/37 **Risk management (Agenda item 4, Paper C)****
The latest version of the risk register had been circulated to the Committee. The report contained details of the strategic and significant risks for the College. Members' attention was drawn to any changes that had been made since the last meeting. Monitoring arrangements were outlined and discussed. The Committee was informed of the controls that had been put in place to manage the risks. The format of the report would be reviewed in due course. Following discussion, *the report was noted.*
- 18/37 **Board assurance framework (Agenda item 5, Paper D)****
The latest version of the board assurance framework was outlined and discussed. The purpose of the report was to help the Audit Committee and Corporation understand where assurance was obtained in relation to the organisation's significant risks. Members' attention was drawn to the different levels of assurance that were currently available for each of the risks. In addition to the various reports that were prepared by the College Executive, there had been various instances of external scrutiny. The report confirmed the positive movements that had been made since the last meeting of the Committee. The Chief Finance Officer (CFO) confirmed that references to the BAF had been included in the College financial statements and statement of internal control. Following discussion, *the report was noted.*
- 18/38 **Audit action plan (Agenda item 6, Paper E)****
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 academic year. The report confirmed that a high proportion of risks had been fully implemented. The CFO highlighted two actions: in one instance there had been a delay due to capacity issues and in another, an action had been deferred to December 2018 to accommodate changes in staffing arrangements. In a discussion around GDPR, the CFO outlined the College processes and procedures that were in place to demonstrate compliance with the regulations. Reporting arrangements to the Audit Committee and Corporation in the event of any data breach were outlined. Although not a requirement it was agreed that all governors would be invited to complete the online GDPR training module to raise awareness of these regulations (**Action 18 – Clerk**). Following discussion, *the report was noted*.

18/39

Financial Statements Auditor (Agenda item 7)

a. Audit highlights memorandum and management letter (Paper F)

The financial statements auditor reported on the audit for the year ending 31st July 2018. The report confirmed that the external auditor's intention was to issue a clean audit opinion in relation to the College financial statements for the year ending 31st July 2018.

The Committee was informed of the findings relating to risks that form the basis of the external audit.

- i. **Revenue recognition:** Subject to receipt of the final funding confirmations from the ESFA (Education and Skills Funding Agency), no significant issues arose from work in those areas.
- ii. **Management override of controls:** No issues were noted in respect of: detailed testing of journals and their impact on the financial statements; and, accounting policies, assumptions or methods used to prepare accounting estimates. No significant transactions that were outside the Group's normal course of business, or that were otherwise unusual, were identified.
- iii. **Pension liabilities:** A high level assessment of key judgements was included in the report. The key assumptions used were within KPMG's benchmark range, although the external auditor would consider the assumptions to be cautious. There were no issues identified.
- iv. **Overall financial position and going concern:** The review of this area was ongoing 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. The report confirmed that following a review of the management's assessment, whilst there were risks to the achievement of the forecast and savings targets, at the time of this report, there were no indications that the Group was unable to continue as a going concern for at least 12 months from the date of signing the financial statements.

The regularity audit received a clean opinion. The report also included 1 medium and 2 low recommendations. All recommendations had been noted by the College Executive. The report detailed an agreed set of actions together with deadlines for completion. The Committee received an assurance that the outstanding matters would be resolved in time for the financial accounts to be signed at the Corporation meeting on the 6th December 2018. Following discussion, *the report was noted*.

b. Letter of representation (Paper G)

Members were invited to note the letter of representation which would be presented for signature at the Corporation meeting on the 6th December 2018. Nothing additional had been added to the standard format.

18/40 Members' report and financial statements 31st July 2018 (Agenda item 8, Paper H)

The report was outlined and discussed. It presented the accounts for Moulton College. Members' attention was drawn to a number of changes that had been made to the report since it was last considered in September 2018. This included references to the board assurance framework to confirm the different levels of assurance received by the Corporation. The 'related party transactions' notes' section also contained more detail than previously. The Committee recommended that the report should be updated to recognise any joint venture partnerships. The final version of this report would be presented to the Finance Committee on the 3rd December 2018 for consideration and Following discussion, *the report was received.*

18/41 Subsidiary Accounts 31st July 2018 (Agenda item 9)

a. Moulton College Developments Ltd (Paper I)

b. Moulton College Enterprises Ltd (Paper J)

c. Moulton Trading Ltd (Paper K)

The reports were outlined and discussed. The CFO provided some historical information about each company. An audit on the three subsidiary companies had also been completed and there were no material unadjusted audit differences. Subject to three minor matters which would remain outstanding until the time the subsidiary accounts would be approved by the Corporation it was anticipated that an unqualified report would be issued on each of these subsidiaries. Following discussion, *the reports were noted.*

18/42 Annual Internal Audit Report 2017-19 (Agenda item 10, Paper L)

The report summarised the work carried out during the year. Reasonable assurance was given for the College's systems of internal control. These were operating adequately and effectively and that there were no instances where any breakdown of control resulted in a material discrepancy. In total, 6 high priority recommendations were raised in 2017-18, all of which were agreed by Management. Of the 6 internal audits completed during the year, 2 had been advisory. The Committee debated the relative merits of advisory reports. The advisory reports had been a strategic decision based on issues that had already been identified by the College and where further external validation would be useful. To inform effective decision-making on the part of the Committee, it was agreed that Internal Audit should have notified the Committee of the wider implications of their decision especially in light of the staffing changes at the College. The internal auditor confirmed that at future meetings, a progress report would be presented to accommodate this recommendation. Following discussion, *the report was noted*

18/43 Internal Audit Reports (Agenda item 11)

a. Safeguarding: Single Central Record

The Committee was informed that the internal auditors would be completing an internal audit of the Single Central Record. This followed a request from the Teaching, Learning and Assessment Committee that an external validation would provide an extra level of assurance to the reports received to date. This audit would be completed week beginning 10th December 2018. It

would replace the planned internal audit of curriculum efficiency. Following discussion, the change of audit plan was approved.

18/44

Audit Committee Annual Report 2017-18 (Agenda item 12, Paper M)

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 identified further examples of assurance that should be included in the report prior to its circulation to the Corporation. Following discussion, *an updated version of the report would be circulated to the Committee for consideration, the report was noted.*

18/45

Any other business (Agenda item 13)

a. Date of next meeting

The Chair of Committee proposed that the next meeting should be brought forward to the 4th February 2019. This would ensure that all matters concerned with the Committee could be signed off before the 1st March 2019. It was agreed that the agenda would include an update on the risk register. The internal auditor confirmed that three reports would be completed for that meeting:

- i. Fundamental financial controls;
- ii. Single central record; and,
- iii. Follow up of previous internal recommendations.

Emphasis was placed upon the need for sufficient time for the Senior Leadership Team to review an initial draft of the report. Any amendments following feedback should be completed in time for the final reports to be distributed to the Committee no later than the 28th January 2019.

b. Attendees at next meeting

It was agreed that the Chair of the Audit Committee from the merger partner would be invited to the final meeting in February 2019 (**Action 19 – Clerk**)

Part 1 of the meeting ended at 5.40 pm. Ms A Turner, Mr F Adenaike, Miss A S Bruce and Mrs G M Hulley left the meeting.