

AUDIT COMMITTEE

Minutes of the meeting held on Monday, 29th November 2021 at 4.00 pm via Teams

Present: Mr A Clarkson (in the Chair), Mr D Aarons, Mr S Greener, Dr P Jones, Mrs H King and Miss L Knapp

In attendance: Miss A S Bruce, Mrs C Harris, Mr J Lanes (BDO), Mr M Dawes (KPMG), Mrs G M Hulley, Mrs A Rowe (BDO) and Miss B Wheatcroft (KPMG)

SECTION A – ROUTINE AND GOVERNANCE ITEMS:

21/38 Apologies for absence (Agenda item 1)

There were no apologies for absence.

The Chair welcomed Peter Jones and Simon Greener to their first meeting. Barry Hansford was thanked for his valuable contributions as a member of the Committee during 2020-21.

21/39 Declarations of intent (Agenda item 2)

There were no declarations of interest.

21/40 Minutes of the last meeting (Agenda item 3, Paper A)

The minutes of the meeting held on 28th June 2021 had been circulated previously and were approved as a true and accurate record.

21/41 Actions outstanding (Agenda item 4, Paper B)

The Clerk confirmed that the reminder system was operating effectively. Two governors still needed to complete their training modules; reminders had been sent.

SECTION B – CHIEF OPERATING OFFICER'S UPDATE:

21/42 Risk Management (Agenda item 5, Paper C)

The annual report confirmed that the risk profile of the College had improved during 2021. Two of the 8 strategic risks remained above the College's risk appetite. These related to: securing long-term financial viability; and, reliance on bankers. The Corporate risk register confirmed that 6 of the 29 risks remained above the College's risk appetite and related to the impact of business disruption and the ongoing suppression of FE funding. Further improvements to the process included formally delegating the Corporate risk register to the wider senior leadership team for ongoing review and monitoring.

Members were informed that the risk relating to the quality of teaching and learning had been reduced following the positive outcome of the Ofsted inspection in November 2021. The risk relating to recruitment and selection of skills would remain high and it would be important to have actions in place to manage this risk. This was in the context of retaining good staff and where recruitment was concerned, individuals would need to not only have the correct skills but be able to fit into the culture of the College.

Resolved: To receive the annual Risk Management Report.

21/43

Internal audit tracker (Agenda item 6, Paper D)

The report confirmed that 77% of all recommendations had now been implemented or partially implemented with a further 10% in progress and 13% no longer relevant or superseded. A number of actions remained that related to general IT controls. These were being actively reviewed by the new Director of IT and Digital Transformation supported by BDO who were following up the recommendations as part of the IT security audit. This was likely to receive a limited assurance. A new action plan would be produced with a revised set of timescales to improve controls in this area as well as consider the resources and skills required to implement them. IT remained an area of risk that the College would need to continue to manage and this had been reflected in the risk register.

In response to a question about timelines for implementing any actions identified in the audit, the Chief Operating Officer (COO) confirmed this could take 12 to 18 months. It would be important to review what was needed from the IT system in the short-, medium- and longer term. A Road Map would be produced and progress shared with the Investment Advisory Appraisals Group in December 2021.

Resolved: To receive the Internal Audit Action Tracker.

21/44

Board assurance tracker (Agenda item 7, Paper E)

The report confirmed that the College had significantly improved the level and range of assurances available to governors relating to how effectively risks were being managed. Risks that were reviewed as part of this process exceeded the College's risk appetite which included 8 Strategy risks, 6 Corporate risks plus 1 Safeguarding risk. 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.

The Committee's attention was drawn to one risk in relation to changes in government policy and the importance for the College not to rely on one income stream. Further developments within Commercial and Higher Education as well as delivery of Apprenticeships would help to manage this risk. The Finance and Resources Committee would continue to oversee this.

Resolved: To receive the Board Assurance Framework.

21/45

Governance (Agenda item 8, Paper F):

a. Audit 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 2021. 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. The report acknowledged that the Committee was satisfied with the additional evidence presented in relation to gaps in assurance for IT. Sufficient progress had been made in order to provide the level of assurance that was required.

Resolved: To recommend the Self-Assessment Regulatory Questionnaire and the Audit Committee Annual Report for approval by the Corporation.

SECTION C – EXTERNAL AUDITOR’S UPDATE:

21/46

Audit Highlights Memorandum and Management Letter (Agenda item 9, Paper G.1)

The Audit Committee considered the Draft Audit highlights memorandum and management letter at its meeting on 29th November 2021. The External Auditor reported on the audit for the year ending 31 July 2021 and findings in respect of the auditor’s identified significant risks:

- **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:** Sampling of journal entries and other adjustments meeting certain high-risk criteria did not identify any inappropriate entries. 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 this area in relation to the valuation of LGPS pension liabilities / pension provision was currently ongoing at the time of the Audit Committee. Although the management review controls (as defined by the International Standards of Auditing) were difficult for auditors to rely on as auditing standards require a level of precision and formalisation that are generally not seen in practice. A formal control observation would not be raised as it was considered the College’s approach to be proportionate.
 - **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. The External Auditor noted that the audit had not identified any indications that the College was unable to continue as a going concern for at least 12 months from the expected date of approval of the financial statements.
 - **Access and participation expenditure:** No significant issues arose from this work in relation to access and participation expenditure.
- (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 have 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 intend to issue an unqualified audit opinion on the College financial statements for the year ending 31 July 2021.

21/47

Draft Letter of Representation (Paper G.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 9th December 2021.

21/47 Moulton College financial statements 31st July 2021 (Agenda item 10, Paper H)

The Director of Finance explained that the accounts were in draft form with the outstanding audit matters highlighted in the Audit Highlights Memorandum prepared by KPMG. The results for 2020-21 confirmed: £1.2m increase income from the prior year reflecting growth in student numbers; £0.8m reduction in expenditure from the prior year; £0.8m gain on asset disposals; and, movement of £3.5m bank debt from short-term to longer-term borrowings. The overall result was a decrease in the comprehensive deficit for the year from £7.6m in 2019-20 to £1.4m in 2020-21 despite the continued impact of Covid-19 on the commercial income of the College. The accounts were prepared on the going concern basis reflecting the impact of the settlement of the £3.5m rolling credit facility by the issue of a new £3.5m 5-year loan from the bank together with that of the improving student numbers and consequent additional income.

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

SECTION D – INTERNAL AUDITOR’S UPDATE:

21/48 Internal Auditor Highlight report (Agenda item 11, Paper I)

The internal auditor confirmed that work had commenced on the Payroll and HR and IT Security. Reports would be presented to the next meeting of this Committee. The Chair emphasised the importance of keeping to deadlines.

Resolved: To receive the Internal Auditor Highlight report.

SECTION E – POLICIES:

21/49 Anti-fraud and Bribery (Agenda item 12, Paper J)

No significant legislative changes had made since the policy was reviewed in 2019. The changes reflected the current structure and reporting lines if any cases of bribery, fraud or corruption were detected. The COO confirmed that the Smartlog system would be used for staff confirm that they have read and understood the policy.

Resolved: To approve the Anti-fraud and bribery policy.

21/50 General Data Protection (Agenda item 13, Paper K)

The policy had been updated to reflect latest advice and guidance and applying it to the way Moulton College would collect and use personal data in all its forms. The policy also outlined the rules on how the College handled uses, transfers and stored personal data. Internal College processes would be reviewed and amended to ensure compliance.

Resolved: To approve the General Data Protection policy.

SECTION F – CLOSING ITEMS:

21/51 Any other business (Agenda item 14)

There was no other business.

21/52 Date of next meeting (Agenda item 15)

Monday, 28th March 2022 at 4.00 pm.