

OLDHAM COLLEGE

AUDIT COMMITTEE

Minutes of the Meeting held on 20 June 2017 at 5.00pm

Present:	Jonathan Edwards Anthony France Des Herlihy	Governor (Chair) Governor External Member
Officers:	Janet Frost Debra Woodruff Rebecca Johnson Joanne Love Andy Smith Patrick Jenner Michael Harding Allan Tyrer	Clerk to the Corporation Deputy Principal Assistant Director of Finance Grant Thornton Grant Thornton Grant Thornton RSM Director of Finance
Apologies:	Leanne Holmes Graham Bradbury	Governor Governor

52/16 Meeting of Auditors with Members only (No officers)

Members agreed that they had no matters to discuss with the Auditors.

It was **RESOLVED** that the members did not currently require a meeting with Auditors without management present.

53/16 Apologies

Apologies for absence had been received from Leanne Holmes and Graham Bradbury.

54/16 Declaration of Conflicts of Interest

None declared.

55/16 Permission for Officers of the Organisation to be Present

It was **RESOLVED** that officers present should remain in the meeting.

56/16 Minutes of the previous meeting held 7 February 2017

The minutes of the meeting held 7 February 2017 had been previously circulated to members for consideration.

It was **RESOLVED** that the minutes as presented reflected a true record of the meeting and were approved and signed by the Chair as a correct record.

57/16 Matters arising from minutes of the previous meeting.

There were no matters arising.

58/16 Notification of Items of Any Other Business

There were no Items of AOB reported.

59/16 Rolling Action List Update

59/16.1 7 February 2017 – Min 42/16 - Presentation on Sources of Funding

A further report be presented at the next Audit Committee meeting in June 2017 on the risks associated with the apprenticeship funding due to the implementation of the Levy

It was **RESOLVED** that this action was complete

59/16.2 7 February 2017 – Min 45/16 – Scheme of Delegation

Scheme of Delegation to be presented to the Full Corporation at its July 2017 meeting for approval.

It was **RESOLVED** that this action was not complete

59/16.3 7 February 2017 – Min 48/16 – Use of Consultants

Include as a standing item at each Audit Committee.

It was **RESOLVED** that this action was complete.

60/16 Presentation – The Apprenticeship Levy and Potential Impact on the College Finances

The Director of Finance introduced the presentation advising that he would provide members with an overview of the new apprenticeship levy and the potential impact on the colleges finances. In summary:-

- From 1 May 2017 the new apprenticeship levy for employers with a payroll of £3m plus was introduced
- The College secures three sources of apprenticeship income which are calculated in different ways and each on different contracting arrangements; existing learners, non levy learners and levy customers.
- The impact of the system for the non levy starts is not yet known, particularly the employer contribution
- There will be a procurement exercise to compete in relating to the levy employer apprenticeships
- The college will receive £200k less for 16 – 18-year-old apprentices whilst the adult budget is estimated at £100k lower than the current year

A governor asked the Director of Finance to quantify the risk and he advised that he estimated the worst case scenario as £200k less than the current year and best case scenario an increase of £500k.

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The Chair requested that the Director of Finance report updates at future meetings.

61/16 Presentation – College Insolvency Regime: Governors Liability

The Director of Finance introduced the presentation advising that he would provide members with an overview of governor's liability in relation to the new insolvency regime for colleges.

The legislation involves the following provisions:

- the colleges will in future be covered by normal commercial insolvency rules (which also apply to registered charities).
- the Secretary of State will have the power to overturn an insolvency petition and appoint a special administrator.
- the special administrator will have a duty towards the college's creditors but will also have a duty to "avoid or minimise disruption to the studies of existing students as a whole". The duty is to the group (not to an individual student) and students for this purpose will include someone who has "accepted a place on a course at the college when the administration begins
- Effectively a special administration would delay recovery action by a bank (which, these days, is likely to be first in the queue) or other people owed money (eg HMRC).
- Governor's liability - Under the proposals, governors may be liable for wrongful and fraudulent trading. Applying these offences to governors (the majority of whom are volunteers) as if they are directors of a company could overlook that the function of a governor is not the same as that of a director. In addition, there are already mechanisms available through claims which can be pursued against trustees of a charity.

- Equally, it is clear that those controlling colleges who intend to defraud creditors should be held accountable for their actions. This reflects the position of companies.
As to what these liabilities will be, the Government has stated this will be a matter for secondary legislation.

Members discussed the implications of the new plans and noted the potential impact on governors.

The Chair thanked the Director of Finance for the presentation.

62/16 Programme of Presentations of Individual Risk

The Clerk reminded members that it had been agreed that at each ordinary meeting of the committee a presentation detailing the risks associated with a College area or activity and how those were mitigated would be delivered to members by a staff member or senior manager from the area/activity. This would form part of the training activity for Governors but be specifically directed at Audit members.

Members were reminded of the presentations that had been delivered during 2016/17 and supported the same process in 2017/18.

The Clerk reminded members that in 2016/17 the committee had agreed the topics of presentations following the Special Meeting of the Audit Committee that had been held in September and which reviewed the key strategic risks for the organisation.

Members agreed that the same process be followed for 2017/18.

It was **RESOLVED** that the Audit Committee consider the programme of presentations of individual risks for 2017/18 at its September 2017 meeting.

63/16 Internal Audit Assignment Reports

The Internal Audit Assignment Reports 2016/2017 had been prepared by RSM in accordance with the Audit Plan for 2016/2017 and all had been previously circulated to members for consideration. In discussion the following reports were considered:-

63/16.1 Governance – Academic Quality

The Internal Auditor introduced the report advising that specific reference had been to consider the governance processes relevant to the academic quality of the college and in doing so the Internal Audit opinion advised that the Board could take reasonable assurance that the controls that the College relies upon to manage this area were suitably designed, consistently applied and effective.

The Internal Auditor advised that the report identified five actions of which one was a medium risk and four were low risk. Members were informed of actions that had been put in place to remedy the risks.

It was **RESOLVED** that members received the report as presented.

63/16.2 Apprenticeships Learner Records Compliance

The Internal Auditor introduced the report advising that the audit had tested the key controls in relation to apprenticeship learner records. The Internal Audit opinion advised that the Board could take substantial assurance that the controls that the College relies upon to manage this area were consistently applied with.

The Internal Auditor advised that the report identified one action which was rated as low risk.

It was **RESOLVED** that members received the report as presented.

63/16.3 Internal Audit Follow Up Report

A copy of the Follow Up Report prepared by the Internal Auditor had previously been circulated to members for consideration. The Internal Auditor advised that the report identified the progress made by the College to implement the actions identified from audits carried out in 2015/16 and in addition as requested by Audit Committee progress by

management on the implementation of actions agreed as part of the Facilities Management report issued in 2016/17.

It was reported that 32 of the 39 actions had been fully implemented. A member asked for the status of actions relating to the Facilities Management audit, asking specifically what the processes are to ensure the actions relating to asbestos are implemented and that continuous monitoring takes place to ensure systems are complied with. It was reported that all actions relating to asbestos had now been completed and the systems that are in place were reported. It was noted that the Audit Tracking Tool provided additional details. It was **RESOLVED** that the report be received as presented. C

64/16 Internal Audit Progress Report

A report providing an update on progress of the internal audit plan agreed for 2016/2017 had been prepared by the Internal Auditor and previously circulated to members for consideration.

The report was presented by the internal auditor who highlighted that since the last meeting in February 2017 three final reports had been issued. It was noted that no common themes or underlying control weaknesses had been identified.

The Director of Finance drew member's attention to the briefing reports appended to the progress report adding that a report would be presented to a future Resources Committee on the Gender Pay Gap reporting requirements.

It was **RESOLVED** that the report be received as presented.

65/16 Annual Report on Audits by Other Agencies

A report detailing audits by other agencies that had been carried out in 2016/17 had been prepared by the Director of Finance and previously circulated to members for consideration.

Members were asked to note the details.

It was **RESOLVED** that the report be received as presented.

66/16 External Audit Planning Document 2017

Joanne Love representing Grant Thornton, the College's current external auditor, circulated a copy of the draft Audit Plan for Oldham College for year ending 31st July 2017 to all members and officers present.

Joanne commenced by advising members that as she had been external auditor for ten years then there was a requirement for the position to be rotated to a new Director and introduced Andy Smith who would be taking on this role. The Chair thanked Joanne for her commitment to the college and welcomed Andy to the meeting.

Joanne drew member's attention to key points in the report and explained that the Audit Plan highlighted the key elements of their proposed audit strategy for the benefit of those charged with governance, as required by the International Standard on Auditing (UK & Ireland) 260. It was reported that the contents had been discussed with management and that the Audit Findings report would be issued by the external auditor prior to approval of findings affecting the audit on a timely basis, either informally or through an interim memorandum.

The External Auditor highlighted significant risks that had been identified and the procedures that have been put in place to test the processes. In addition, the External Auditor clarified the approach to materiality and areas of particular focus in the audit.

Members discussed the report and the Chair commented that the Going Concern risk is considered by the Corporation at each of its Resources and Full Corporation meetings to ensure transparency and challenge by members.

It was **RESOLVED** that the draft Audit Plan as presented by Grant Thornton be received and endorsed as detailed.

67/16 Risk Management Register

The Director of Finance presented the Risk Management Register advising that the register had been reviewed and amended in light of the FE Commissioner process and the outcome of the OfSTED inspection. The changes included additional risks relating to:-

- Failure to manage the impact of FE Commissioner actions, recover financial health and the merger discussions on day to day operations
- Negative impact on staff morale of potential merger and restructure plans
- Failure to provide and maintain appropriate facilities and resources to protect and enhance the student experience.

The Chair asked for clarity on how the financial risk was being managed and it was reported that daily financial management takes place by the Assistant Director of Finance, regular meetings with HOFs take place via the Business Review process and this has given confidence in achieving the financial targets by July. A discussion continued and members questioned whether the performance of students would show an improvement. In response the Deputy Principal reported that the improvements in teaching, learning and assessment were having positive results with the emphasis now being on consistency, noting that the CPD programme that had been launched in June will have a positive result on all staff, with interventions being put in place where there are pockets of variation. The Deputy Principal added that the Corporation Task Group had been assigned to carry out an additional governance function that scrutinised the college performance and financial position on a monthly basis. It was also noted that at the planned Strategic Away Day on 11 July 2017 the Quality Cycle will be presented to highlight the pace of improvement and the actions that are being carried out to address areas of variability.

A member provided further background to the role of the Task Group adding that whilst the data showed there is some progress with the advancement of students there is a need for an earlier and speedier assessment of student's ability so that the right level of support and challenge is offered to them.

The Director of Finance advised that the next step will be for each faculty and department within the College and UCO to create individual risk registers that will be integrated into the plan.

It was **RESOLVED** that:-

- i. the updated Risk Register and Action Plan as at June 2017 be accepted, and
- ii. members endorsed the revised plan with the additional risks as reported.

68/16 Audit Rolling Recommendation Tracking Tool

The Audit Rolling Recommendation Tracking Tool had been prepared by the Assistant Director of Finance and previously circulated to members for consideration.

The Assistant Director reported that the tracking system had been developed based on the RAG rated system of reporting and included all recommendations taken from the Internal Audit assignment reports that required implementation by the College.

A member requested confirmation that the high risk actions identified within the Facilities Management Audit (2.16/17) that related to asbestos had been completed and requested confirmation that the processes that had been put in place were suitably robust. The Assistant Director of Finance confirmed that the actions were complete and that new and improved were in place.

The Chair commented that the appraisal of staff continued to show as outstanding which was a concern as the action had been ongoing since January 2016. The Deputy Principal agreed to take this action up with HR, adding that a new process was being implemented that would assist with the appraisal recording process.

It was **RESOLVED** that members noted the report and the progress achieved with the implementation of actions.

69/16 Workplan Deviation Report, Terms of Reference and Workplan 2017/18

The Clerk had previously circulated a revised workplan for 2016/17 that updated members on changes to the reporting sequence in year and members noted the changes including any reports that had been included on the workplan for 2017/18.

A copy of the Terms of Reference for the committee were also circulated, noting that the actions and responsibilities of the Committee continued to be in line with recommendations in the Post 16 Audit Code of Practice 2016-2017 (which had replaced the JACOP 2016).

It was RESOLVED that:-

- i. members received the revised Workplan for 2016/17 and 2017/18
- ii. agreed the Terms of Reference as reported and,
- iii. recommended approval of the Workplan for 2017/18 to the Full Corporation at its next meeting.

70/16 Use of Consultant

It was reported that since the last meeting Marina Gaze had been appointed College Improvement Partner. The Director of Finance advised that the formal appointment was yet to be concluded and a report would be provided at the next meeting.

A member asked if the cost of the CIP had been included in the budget and it was confirmed that a provision for this work had been included and a saving on the amount budgeted for had been achieved. Q

It was **RESOLVED** that the Director of Finance would provide details of the CIP appointment at the next meeting.

71/16 Identification of Equal Opportunities Issues

There had been no items identified.

72/16 Items of Any Other Business

72/16.1 Value for Money

The Director of Finance provided a report that detailed the approach the college had taken to procure services for the college noting that it had complied with the Procurement Strategy. The report identified a number of contracts that had been retendered and had in the process achieved a saving. It was also reported that further services will be retendered in the next few months.

It was **RESOLVED** that members noted the report.

73/16 Proposed Dates of meetings for 2017/2018

To be confirmed.

6.25pm – Internal Auditors and External Auditors retired from the meeting

Confidential Minute

74/16 Appointment of Internal and External Auditors

The Director of Finance reported that it was seen as good practice to retender audit services to ensure the best efficiency and effectiveness for the services every three years. He described the process that had been undertaken and the outcome. See confidential minute for recommendation to the Full Corporation.

The meeting closed at 6.35pm

Chair

Rolling Action List – Audit Committee

Meeting Date & Item No.	Rolling Action List (Outstanding actions from previous meeting(s) to be carried forward, listed below, and not removed until completed/closed.)	Actionee	Reported as Completed at meeting of
07 02 17 Min 40/14	<p><u>Risk Management Register</u></p> <p>(i) A review of the risks associated with the planned merger be reviewed to establish if there are factors that remain a risk for the college</p> <p>(ii) Include the relevant risks associated with the outcome of the recent OfSTED inspection upon receipt of the final report</p> <p>(iii) Complete the 'change' column for the Key Operation Risks</p> <p>(iv) the Audit Committee to review the impact of the QIP</p> <p>(v) Review the rating for Risk No. G and 1.1.2</p> <p>(vi) Review the financial risks to ensure the impact and likelihood are clear within the report</p>	<p>Int. Dir of Finance</p> <p>Int. Dir of Finance</p> <p>Int. Dir of Finance</p> <p>Deputy Principal</p> <p>Int. Dir of Finance</p> <p>Int. Dir of Finance</p>	<p>20 06 17 Min 59/16</p>
07 02 16 Min 42/16	<p><u>Presentation on Sources of Funding</u></p> <p>A further report be presented at the next Audit Committee meeting in June 2017 on the risks associated with the apprenticeship funding due to the implementation of the Levy</p>	Int. Dir of Finance	20 06 17 Min 60/16
07 02 17 Min 45/16 20 06 17 Min 59/16	<p><u>Scheme of Delegation</u></p> <p>Scheme of Delegation to be presented to the Full Corporation at its July 2017 meeting for approval.</p>	Clerk	
07 02 17 Min 48/16	<p><u>Use of Consultants</u></p> <p>Include as a standing item at each Audit Committee.</p>	Clerk	20 06 17 Min 70/16
20 06 17 Min 70/16	<p><u>Use of Consultants</u></p> <p>The Director of Finance would provide details of the CIP appointment at the next meeting.</p>	Director of Finance	