

OLDHAM COLLEGE

AUDIT COMMITTEE

Minutes of the Meeting held on 7 February 2017 at 5.00pm

Present:	Jonathan Edwards Graham Bradbury Anthony France	Governor (Chair) Governor Governor
Officers:	Janet Frost Debra Woodruff Rebecca Johnson Joanne Love Sarah Massel Allan Tyrer	Clerk to the Corporation Deputy Principal Assistant Director of Finance Grant Thornton RSM Interim Director of Finance
Apologies:	Leanne Holmes	Governor

31/16 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.

32/16 Apologies

Apologies for absence had been received from Leanne Holmes.

33/16 Declaration of Conflicts of Interest

None declared.

34/16 Permission for Officers of the Organisation to be Present

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

35/16 Minutes of the previous meeting held 13 December 2016

The minutes of the meeting held 13 December 2016 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.

36/16 Matters arising from minutes of the previous meeting.

The Interim Director of Finance reported that since the last meeting management had met with Santander and noted that management were awaiting new covenants to be sent to the College. The Chair asked what feedback had been received from the bank relating to the Area Based Review process and the Interim Director responded that management had advised the bank of the outcome of the proposed merger and Santander were satisfied that the College continued to progress its financial plan.

37/16 Notification of Items of Any Other Business

There were no Items of AOB reported.

38/16 Rolling Action List Update

38/16.1 Draft Financial Statements year ended 31 July 2016 - 13 December 2016 Min 19/16

The Financial Statements for the year ended 31 July 2016 be approved by Full Corporation at its next meeting.

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

38/16.2 Internal Audit Annual Report 2015/2016 – 13 December 2016 Min 20/16

Full Corporation to receive the Internal Audit Annual Report for 2015/16 for approval at its December 2016 meeting.

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

38/16.3 Risk Management Annual Report 2015/16 – 13 December 2016 Min 22/16

Risk Management Annual Report 2015/16 be recommended approval of the report to the Full Corporation at its next meeting.

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

38/16.4 Risk Management Register and Action Plan – 13 December 2016 Min 23/16

At the next meeting in February 2017 members focus on the risks categorised 'red' within the risk management register.

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

38/16.5 Tracking Tool – 13 December 2016 Min 24/16

'Blue' category in the status column to be deleted.

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

39/16 Presentation on Risk Management by RSM (Item 9.1)

Sarah Massell, RSM introduced the presentation advising members that as part of the Audit Plan, Internal Audit had reviewed and advised on the Risk Management approach at the College, noting that the outcome of this work has previously been reported to members.

Sarah focussed her presentation on the Risk Management Register and the following observations were reported:-

- There are some common risks identified throughout the sector and these are also identified within the Oldham College Risk Register, including; the risk that income targets are not achieved, failure to achieve targets for SFA funded work-based learning allocations and failure to achieve learner recruitment and learner targets.
- Noted that dependent upon the future of the college and whether future mergers are to be investigated the risk that relates to the college failing to manage the impact of a merger may have on day-to-day operations and staff morale may be taken off the register. If it is to stay on as a risk it was noted that the controls and actions to mitigate risks requires completion.
- Noted that there was a 'RED' risk relating to disability legislation that required immediate attention. The Interim Director of Finance reported that actions had been implemented to address these issues and the report later on the current agenda (Item 10.1) would provide more detail.

The Internal Auditor continued and provided some general observations relating to the Risk Register:-

- With regards to the format of the Risk Register it was suggested that the gross impact and likelihood columns be included to the left of the controls column, with the net impact and likelihood after this column so that it is possible to see how the controls affect the scores. Members were advised that this would aid the reader by making the key information in the report clearer
- Discussion took place regarding the proposed changes and the Chair suggested that the change in format be introduced to the top priorities on pages 1-3 in the first instance

- Reported that the Risk Register should demonstrate the three lines of defence; operational level, strategic level and third party assurance

In discussion the Chair asked if the Auditor could comment on whether the Risk Register covered all the key risks and the Auditor responded that all organisations are different. However members were advised there are similarities in the risks identified here to those that are seen at other colleges. It is important however that management continually review the register to ensure new risks are included and existing risks are being monitored.

The Chair thanked the Internal Auditor for her report.

40/14 Risk Management Register (Item 12)

The Interim Director of Finance presented the Risk Management Register advising that following recent meetings with the Internal Auditors it is suggested that the process of managing risk within the college will be changed to ensure that the links between 'risk', 'action' and 'control' are clear. He advised that the process will include the completion of departmental risk registers that are appraised as part of the Business Review process. It was suggested that departmental risk registers could also be presented to the Audit committee for further scrutiny.

A discussion took place and the following comments / questions were raised:-

- Officers should challenge the controls at the RMG and if the control is working properly then the Risk Management Report would see the gross impact reducing as progress is achieved
- If a risk is no longer identified as such, how is this reported? This would be reported to the RMG and reflected in the Risk Management Register. In addition the Business Review process would identify the reduction in the level of risk.
- Members agreed that the risk relating to the proposed merger should be reviewed and attention should be given to those areas of improvement that the merger had identified and consider if these remain a risk factor
- Does the register reflect the outcome of the OfSTED visit? The Deputy Principal reported that the final report will be available in the next couple of weeks. Upon receipt the necessary risks will be included within the register.
- How does the outcome of the OfSted connect with the Quality Improvement Plan (QIP)? The QIP will be updated to reflect the outcome of OfSTED. The QIP will be monitored by the C&Q Committee. The Chair proposed that the Audit Committee should review the impact of the QIP and this was supported by members. The External Auditor added that officers should review the Key Operational Risk referenced G so that it accurately reflects the outcome of the inspection
- The 'change' column for the Key Operational Risks required completion
- The Chair asked for clarity on the rating given to 1.1.2 - Failure to develop students' English and Maths skills to improve employability and G - Failure to achieve improved success rates, particularly Maths, English and Apprenticeships as there appeared to be a discrepancy in the two ratings
- 6.1.2 – the Deputy Principal reported that HE recruitment targets and Apprenticeship recruitment targets are an area of concern. The Chair asked if the Resources Committee are monitoring the impact of this and it was reported that reports are provided at each of the Resources Committee meetings and the situation is being closely observed. The Interim Director of Finance reported that the college is aiming to get to a 'satisfactory' financial rating by summer 2017 and the Chair requested that he review the register to ensure the risks are clear, including the impact and likelihood.

It was **RESOLVED** that:-

- (i) The updated Risk Register and Action Plan as at January 2017 be accepted and endorsed and progress on the Colleges approach to Risk Management be noted, and
- (ii) 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
- (iii) Include the relevant risks associated with the outcome of the recent OfSTED inspection upon receipt of the final report

- (iv) the Audit Committee to review the impact of the QIP
- (v) Complete the 'change' column for the Key Operation Risks
- (vi) Review the rating for Risk No. G and 1.1.2
- (vii) Review the financial risks to ensure the impact and likelihood are clear within the report

41/16 Programme of Presentations of Individual Risks 2016/17 (Item 9.2)

A copy of a report that outlined the schedule of presentations for future meetings of the Audit Committee had previously been circulated to members for consideration. Members noted the report.

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

42/16 Presentation on the Sources of Funding and (Item 9.1)

Allan Tyrer, Interim Director of Finance presented a report on Understanding Income and the Inherent Risks to enable members to have more understanding on how the income is calculated and to note some of the difficulties related to the forecasting of the income streams.

The presentation covered four key funding streams; 16 – 18 classroom, Adult, Apprenticeships and HE. He explained the key risks associated with each of the funding streams. In summary:-

- Each **16 – 18 year old** full time student receives a national rate, however 18+ receive a lower rate
- The biggest impact on the 16 – 18 funding is the lagged funding.
- The income for the year is fixed and if numbers are lower this year than planned then this will impact on next year's allocation
- 16 – 18 classroom is the largest income stream for the college at approximately £11m
- **Adult skills** budget equates to approximately £3m
- The contract has a maximum value and is paid on profile. Budgeting is difficult, if under profile funding can be reclaimed and if over profile the college may not get paid
- Funding for each apprenticeship differs as it is based on age and framework and it is extremely difficult to predict the income level each year
- The **Apprenticeship** funding is paid 80% in instalments and 20% on completion. It totals approximately £2.3m this year
- Noted that introduction of the levy in May will further change the income streams
- **HE** income is approximately £3.1m for 2016/17 and is paid in three instalments across the year
- It easier to predict the HE funding once the enrolment is complete

Members commented:-

- How is the funding for apprentices given to colleges? An apprentice has to complete all components of the course before the 20% completion fee is paid to the college. The college uses a sophisticated planning tool to assist with the financial management however it was noted that there remains some prediction within the process.
- Who identifies the predicted outcome figure? The Business Review process considers data in conjunction with the MIS information and this enables the predicted outcome to be identified.

The Chair requested an update at the next meeting in June 2017 on the risks associated with apprenticeship funding due to the implementation of the Levy.

The Chair thanked the Interim Director for his presentation.

It was **RESOLVED** that:-

- (i) the information presented be noted by members and,
- (ii) 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.

43/16 Internal Audit Assignment Reports (Item 10)

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:-

43/16.1 Facilities Management Report (draft) (Item 10.1)

The Interim Director of Finance introduced the Facilities Management report advising the scope of the audit had been extremely broad and that the Internal Audit opinion advised that the Board could take only partial assurance that the controls that the College relies upon to manage this area were suitably designed, consistently applied and effective.

The Interim Director advised that the report identified 19 actions of which two were high risk, 12 medium risk and five low risk. Members were informed of immediate actions that had been put in place to remedy the high and medium risks.

Members discussed the report and in debate the following comments were made:-

- the Chair reported that he was extremely concerned with the findings of the report and particularly the areas that were identified as high and medium risk and requested immediate attention was given to these areas,
- noted that some of the actions had been completed and the report should reflect this (the report currently states 'implementation date' and it should read completion date),
- the Risk Management Register should reflect the concerns raised in the report,
- Agreed that the report was not a draft and would be received as the formal report,
- Agreed to include the audit in the 2017/18 Follow Up report to reflect the progress made,
- Noted that the Estates Department Business Review was taking place on 8th February 2017 and the Chair requested an update on progress
- Agreed that the report was not a draft and would be received as the formal report

It was **RESOLVED** that :-

- (i) the report be received as the formal Facilities Management Report and the concerns raised be included in the Risk Management Report,
- (ii) the Deputy Principal provide an update on progress to the Chair following the Estates Department Business Review,
- (iii) include the audit in the 2017/18 Follow Up report to reflect the progress made.

43/16.2 Framework for Student Loans and Bursaries (Item 10.2)

The Internal Auditor introduced the report and highlighted the scope of the review which had been to undertake a review of the College's student loans and bursaries key controls. The review focussed on the procedures in place relating to Advanced Learner Loans, the Advanced Learner Loans Bursary Fund and the student loans provided to HE students.

She reported that the Internal Audit opinion was that the Board could take 'reasonable assurance' that the controls were suitably designed and consistently applied. There were six agreed actions reported; one medium risks and five low risks.

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

43/16.3 External Assurance of Sub Contracting Controls (Item 10.3)

The Interim Director of Finance introduced the report advising that ICCA had been commissioned to carry out an audit that considered the risks that sub-contracting presented and how these risks could be mitigated.

The Interim Director explained the scope of the audit which was to provide assurance on the systems and controls in place during 2016/17 for managing sub-contracted delivery. It was reported that it had a good audit with only two low actions. Members considered the report and **RESOLVED** that members received the report as presented

44/16 Internal Audit Progress Report (Item 11)

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.

It was agreed that the Facilities Management Report would be included in the Progress Report. It was **RESOLVED** that the report be received as presented and the Chair requested the inclusion of the Facilities Management report within the Progress Report.

45/16 Scheme of Delegation (Item 13)

The Interim Director of Finance had previously circulated for consideration the Oldham College Scheme of Delegation. He advised members that the document enables all parties to fulfil their roles and responsibilities, provides clarity on individual and collective responsibilities and delegated responsibilities.

Members discussed the report and the Chair asked if there was scope for a group of governors to take on responsibility for monitoring the QIP. The Deputy Principal reported that the C&Q Committee have responsibility for scrutiny of the QIP and reports are received at each of its meetings.

It was **RESOLVED** that members recommended approval of the Scheme of Delegation to the Full Corporation at its March 2017 meeting.

46/16 Audit Rolling Recommendation Tracking Tool (Item 14)

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.

Members discussed the report and requested that the actions included within each of the Internal Audit Assignment reports received at the current meeting be included in the report for the next meeting.

Members also reviewed each of the recommendations in the report and progress in achieving implementation. Of note, it was agreed that the number of staff appraisals be reviewed as it was felt that the current position had improved substantially.

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

47/16 Self-Assessment and Effectiveness Questionnaire (Item 15)

A copy of the Self-Assessment and Effectiveness questionnaire had been previously sent to members of the Audit Committee and the Clerk reported the findings. It was agreed that a priority is to strengthen the membership of the Committee and appoint to the two vacancies currently on the committee.

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

48/16 Use of Consultants

It was reported that there had been no use of consultants since the last meeting of the Audit Committee.

It was **RESOLVED** that this is a standing item on the Audit Committee and included on future agendas.

49/16 Identification of Equal Opportunities Issues

There had been no items identified.

50/16 Items of Any Other Business

A members requested an updated on HIBS and CSDA. The Assistant Director of Finance provided an update on each of these matters.

51/16 Dates of meeting for 2016/2017

The meeting finished at 6.50pm

Minutes Approved: **Date:**

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
13 12 16 Min 19/16	<u>Draft Financial Statements year ended 31 July 2016</u> The Financial Statements for the year ended 31 July 2016 be approved by Full Corporation at its next meeting.	Int. Dir of Finance	Full Corp 13 12 16 Min 29/16.1
13 12 16 Min 20/16	<u>Internal Audit Annual Report 2015/2016</u> be recommended to Full Corporation for approval at its December 2016 meeting	Int. Dir of Finance	Full Corp 13 12 16 Min 31/16.2
13 12 16 Min 22/16	<u>Risk Management Annual Report 2015/16</u> be recommended approval of the report to the Full Corporation at its next meeting.	Int. Dir of Finance	Full Corp 13 12 16 Min 31/16.1
13 12 16 Min 23/16	<u>Risk Management Register and Action Plan</u> At the next meeting in February 2017 members focus on the risks categorised 'red' within the risk management register	Chair	Audit 17 02 17 Min 40/16
13 12 16 Min 24/16	<u>Tracking Tool</u> 'Blue' category in the status column to be deleted.	Asst Dir of Finance	Audit 17 02 17 Min 38/16
07 02 17 Min 40/14	<u>Risk Management Register</u> (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 (ii) Include the relevant risks associated with the outcome of the recent OfSTED inspection upon receipt of the final report (iii) Complete the 'change' column for the Key Operation Risks	Int. Dir of Finance Int. Dir of Finance Int. Dir of Finance	

	<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>Deputy Principal</p> <p>Int. Dir of Finance</p> <p>Int. Dir of Finance</p>	
07 02 16 Min 42/16	<p><u>Presentation on Sources of Funding</u> 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	
07 02 17 Min 45/16	<p><u>Scheme of Delegation</u> Scheme of Delegation to be presented to the Full Corporation at its March 2017 meeting for approval.</p>	Clerk	
07 02 17 Min 48/16	<p><u>Use of Consultants</u> Include as a standing item at each Audit Committee.</p>	Clerk	