



Oldham College

## **The Oldham College**

### **Annual Report of the Audit Committee for 2017/2018**

## ANNUAL REPORT OF THE AUDIT COMMITTEE FOR 2017/18

### Introduction

The Annual Report of the Audit Committee which complies with the requirements of the current Post 16 Audit Code of Practice and the Code of Good Governance for English Colleges, deals with audit activity relevant to the year 1<sup>st</sup> September 2017 – 31 August 2018 and reviews the work of the Audit Committee in relation to this period.

### Membership

Jonathan Edwards, Chair to January 2018

Graham Bradbury

Anthony France, Vice Chair

Des Herlihy, Chair from February 2018

John Lancaster

The Clerk to the Corporation acted as Clerk to the Committee. In addition the Deputy Principal, Finance Director and representatives of the internal and external auditors and other members of staff were invited to attend as and when required.

### Attendance

Audit	30/11/17	8/3/18	14/6/18	Attendance		
				Attended	Possible	%
J Edwards	Y			1	1	100
G Bradbury	Y	Y	Y	3	3	100
A France	Y	Y	A	2	3	67
D Herlihy	A	A	Y	1	3	33
J Lancaster	A	Y	Y	2	3	67
<b>Totals</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>13</b>	<b>69</b>

The overall average attendance was 69%. This is below the 80% target set by the Corporation for all committees.

My thanks go to members of the Committee for their time and support during the 12 month period covering the report.

### Terms of Reference

The Committee reviewed its Terms of Reference at the first meeting of the year to ensure it carries out its duties as per the requirements of Post 16 Audit Code of Practice. See Appendix 1.

### Schedule of Work

The work programme of the committee shows how it fulfils its remit. See Appendix 2.

## **Appointment of Auditors**

Grant Thornton UK LLP were reappointed as the external audit provider for 2017/18.

The internal audit service was provided by ICCA Education Training and Skills in 2017/18. ICCA were recommended by the Audit Committee and approved by the Corporation at its meeting on 11<sup>th</sup> July 2017 to provide the service for a three year period, 2017/18 – 2020/2021.

## **Internal Audit Service**

The Board, on an annual basis approve the Internal Audit Plan. The plan drew on a range of existing assurances and sources of information to provide an holistic overview of the College's recent performance across its key drivers and areas of business and drew upon both the internal auditors extensive knowledge of the sector and understanding of the College to highlight the emerging areas of risk that require future assurance.

The plan focussed on the key priorities in respect of assurance needed in 2017/18, taking into account:

- The continuing financial pressures and challenges presented to the College as a standalone Institution;
- The significant decline in market share and in particular 16-18 year old recruitment;
- The recent Ofsted inspection judgement of 'Requires Improvement';
- The impact of the Apprenticeship Reforms (introduced in May 2017) and the move to devolution of the Adult Education Budget (AEB);
- The need to provide assurance over key College systems; and,
- The College's ongoing considerations as to how best to serve the needs of its student cohort at a time of continuing pressures on funding and finances.

The Internal Audit Plan 2017/18 provided a balance of both assurance and added value reviews which supported the Audit Committee in obtaining assurance over the College's "significant risks" whilst also supporting management in dealing with the ongoing changes in the sector to policy, regulation, and mechanisms of funding.

Ten audit reviews were completed covering a range of systems, business areas, and systems of internal control. As a result Internal Audit issued four 'substantial assurance' opinions and five 'reasonable assurance' opinions. No 'limited assurance' opinions were issued and four 'high priority' recommendations were raised.

No significant control issues were identified in 2017/18 as a result of the Internal Audit work undertaken.

**Corporate:**

Based solely on the audits completed by ICCA in 2017/18, no significant governance issues were identified

**Risk Management:**

Based on ICCA risk based audit coverage during the year, their findings indicate that the College's risk management framework has continued to operate adequately and effectively.

**External Assurance:**

ICCA carried out an external audit to provide assurance on the systems and controls in place during 2017/18 for managing sub contracted delivery. The audit identified that Oldham College was fully compliant.

**Financial Statements to 31 July 2018**

The meeting of 18 December 2018 will review the draft financial statements for the year ended 31 July 2018 and the Audit Findings Report by Grant Thornton. No significant issues have been raised on accounting systems and controls by the external auditors.

**Regularity Audit**

Grant Thornton anticipated an unqualified regularity audit opinion within the financial statements.

**Risk Management**

The Audit Committee has received regular updates on Risk Management during the year and has had an opportunity to comment on and influence the Risk Register. An improved graduated risk scoring mechanism was adopted and the Risk Management Policy was revised and approved by the Corporation.

**Committee Self Assessment**

On an annual basis the Audit Committee undertake a Self-Assessment of its performance. The Committee recognised the need for new members to join the committee with specific skills to enhance its effectiveness e.g. accounting and audit skills.

### **Other Audit Committee Work**

The Audit Committee at each of its meetings receives a presentation on a risk area associated with a College area or activity and what actions have taken place to mitigate risk. Presentations for 2017/18 included:-

- The Impact of Reduced 16-18 Numbers on 2018/19 Budget
- Management of the estate and issues related to funding constraints and impact on students
- Financial implications on IT and impact – what is the strategy for renewal of IT with reduced budgets
- GDPR

### **Conclusion**

The Audit Committee can confirm that it has carried out its work in accordance with the Terms of Reference. It has been able to assess the information provided at its meeting including independent input from the internal auditors and external auditors.

The Committee wishes to record its thanks to the internal and external auditors for their professional approach in the way they have carried out their duties.

The Committee wishes to record its appreciation of the positive way in which the Principal and the team have accepted audit recommendations and adapted to the challenges facing the College and compliments them on the number of good practices mentioned in the reports reviewed.

The meeting of 18 December 2018 will review the draft financial statements for the year ended 31 July 2018 and the Audit Findings Report by Grant Thornton.

### **Regularity Audit**

Grant Thornton anticipated an unqualified/unmodified regularity audit opinion within the financial statements.

Chair of Audit Committee

## OLDHAM COLLEGE CORPORATION

### AUDIT COMMITTEE

#### TERMS OF REFERENCE

##### 1. CODE OF CONDUCT

All members are required to adhere to the Code of Conduct as set out in the Standing Orders for the Corporation.

##### 2. AUTHORITY OF THE COMMITTEE

The Committee is an advisory body to the Corporation

##### 3. DUTIES OF THE COMMITTEE

The Committee shall ensure that the internal control systems, including audit activities, of the Corporation and any of its subsidiaries is monitored actively, independently and objectively in order to:-

- Improve the effectiveness of the College's internal control.
- Reinforce the independence and effectiveness of the internal audit function.
- Provide a sounding board for the College management on issues of concern in connection with the College's internal control systems.
- Advise on the reliability of the College's information systems.
- Monitor and review the objectivity and independence of the external auditors.
- Increase public confidence in the objectivity and fairness of the Corporation's financial reports and in the quality of the College's Corporate Governance.
- Provide a medium of communication from the Corporation's auditors, which is not controlled by College management.

##### **Internal Audit**

- To monitor and review the effectiveness of the Internal Audit Services, make recommendations to the Corporation on the appointment, remuneration, re-appointment or dismissal of the internal auditors (IAS), the scope of their work and their other terms of engagement.

- Advise the Corporation and the Accounting Officer (Principal) on the adequacy and effectiveness of the College's internal control systems and its arrangements for risk management, control and governance processes, including controls for securing economy, efficiency and effectiveness (value for money). The report should incorporate any significant matters arising from the work of the IAS and FSR auditors.
- To consider and advise the Corporation on internal audit assignments reports and annual reports on control issues included in the FSRs auditors, management letters and managements responses to those.
- To monitor the effectiveness of the internal audit service.
- To consider and advise the Corporation on the audit needs assessment, and strategic and short term audit plans for the internal audit service.
- To discuss problems and reservations arising from the internal audit reports and any matters which the internal auditors wish to discuss (in the absence of management where necessary).
- To ensure that the internal audit service is adequately resourced and has appropriate standing within the Full Corporation.

### **External Audit**

- To advise the Corporation on the appointment, remuneration, re-appointment or dismissal of the financial statements and regularity auditors (FSR), the scope of their work and their other terms of engagement.
- To consider and advise the corporation on external audit reports and management letters.
- To monitor, annually or more frequently if necessary, the implementation of approved recommendations relating to the external audit reports and management letters.
- To monitor the effectiveness of the external audit service.
- To discuss with the external auditors before the audit commences the nature and scope of the audit.

### **Risk Management**

- To review control and risk management systems.
- To consider an annual risk management report.
- To advise the Corporation of the use of Consultants.

### **General**

- To ensure co-ordination between the internal and external auditors.
- To receive and advise the Corporation on, any relevant reports from the National Audit Office or the Skills Funding Agency and other funding bodies.
- To consider and review the College's Risk Management Strategy and monitor its effective implementation.
- Ensure that all allegations of fraud and irregularity are properly followed up.

## **4. MEMBERSHIP**

The Committee shall comprise six members, excluding members of the Resources Committee, staff governors, the Chair of Corporation and the Principal of Oldham College.

The Clerk to the Corporation shall act as the Clerk to the Committee.

**5. QUORUM**

The quorum for the meetings shall be three members.

**6. APPOINTMENT OF CHAIR AND VICE CHAIR**

The Chair and Vice-Chair of the Committee shall be elected by the Committee on an annual basis and at the first meeting in the academic year.

**7. FREQUENCY OF MEETINGS**

The Committee will meet at least 3 times per year.

**8. ATTENDANCE AT MEETINGS**

Meetings shall be attended only by the membership and invited designated officers of the College.

The Deputy Principal and the Director of Finance and Governance will attend at every meeting and if requested by the Committee the Principal will attend.

**9. COMMITTEE REPORTING**

The minutes of each meeting will be prepared and circulated in accordance with Standing Orders for the Corporation and Committees and recorded and reported to the Corporation in a manner deemed appropriate to the Corporation.

**10. REVIEW**

The Terms of Reference of the Committee shall be reviewed by the Corporation every two years at its last meeting in the academic year.

**Appendix 2**

**AUDIT COMMITTEE  
WORK PLAN 2018/2019**

**All meeting agendas will include the following standing items:**

1. Minutes of the previous meeting
2. Declarations of conflicts of interest
3. Matters Arising and Rolling Action List
4. Meeting of Auditors with Members only if required (No Officers)
5. Permission for Officers of the Organisation to be Present
6. Risk Management Update and presentation on a College area /activity
7. Audit Rolling Recommendation Tracking Tool
8. Use of Consultants
9. Workplan – Notification / Deviation
10. Any other Business

<b>MEETING 1 - 25 SEPTEMBER 2018</b>	
	<b>Change to reporting sequence</b>
<ul style="list-style-type: none"> <li>▪ Consideration of the Strategic Risks for the Organisation</li> <li>▪ Programme of Presentations of Individual Risks 2018/19</li> </ul>	

<b>MEETING 2 – 11 DECEMBER 2018</b>	
<ul style="list-style-type: none"> <li>▪ Election of Chair and Vice Chair of Committee</li> <li>▪ Internal Audit Strategy 2018/19 – 2021/22 and Annual Plan 2018/19</li> <li>▪ Risk Management Annual report 2017/18</li> <li>▪ Internal Audit Assignment Reports</li> <li>▪ Internal Audit Annual report 2017/18</li> <li>▪ Re-appointment of Internal Auditors</li> <li>▪ Audit Committee Annual Report to Corporation</li> <li>▪ Risk Management Register and Action Plan 2018/19</li> <li>▪ Risk Management Policy</li> <li>▪ Audit Management Letters</li> <li>▪ Draft Financial Statements 2017/18</li> <li>▪ Audit Findings Document (Key Issues Memorandum)</li> <li>▪ Self-Assessment and Effectiveness Review 2017/18</li> </ul>	
<b>MEETING 3 – 12 MARCH 2019</b>	
<ul style="list-style-type: none"> <li>▪ Internal Audit Assignment Reports</li> <li>▪ Presentation by External Audit Service on a topic related to the work of the Audit Committee</li> <li>▪ Report on tender process for External Audit Service</li> </ul>	
<b>MEETING 4 - 18 JUNE 2019</b>	
<ul style="list-style-type: none"> <li>▪ External Audit Approach Memorandum and Appointment of Financial Statements Auditors</li> <li>▪ Monitoring Financial Regulations</li> <li>▪ Annual report on Audits by other Agencies</li> <li>▪ Internal Audit Assignment Reports</li> <li>▪ Internal Audit Follow up Report</li> <li>▪ Presentation by Internal Auditors on a topic related to the work of the Audit Committee</li> <li>▪ Topics on Risk Management to be</li> </ul>	

<p>delivered as presentations to the Committee in 2019/20</p> <ul style="list-style-type: none"><li data-bbox="300 208 794 280">▪ Audit TOR (July 2020) – last approved July 2018</li></ul>	
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