

Audit Committee

Minutes of the meeting held on Wednesday 25 November 2015 at 12pm in Room OP116

Present: Nick Collins (Chair), Kate Macdonald, Phil Lanigan (co-opted)

Apologies: David Cain

In Attendance: David Barnes (Grant Thornton), Michelle Lloyd (Grant Thornton), Joanne Love (Grant Thornton), Tom Stenson (Grant Thornton), Lisa Randall (RSM), Harriet Fisher (RSM), Jennifer Foote (Company Secretary & General Counsel), Rob Cressey (Group Finance Director), Gill Mangnall (Head of Finance), Jennifer McKenna (Assistant Company Secretary), Simon Newell (Head of Health and Safety), Jamie Marshall (Director of IT) and Mark Pearson (Group Director of Planning & Performance).

No declarations of interest were received

Part A

27/15	Pre Agenda Review Prior to the start of the formal business Governors met with representatives of both the internal and external auditors. It was confirmed that no issues had been identified which needed to be brought to the attention of the Committee. Staff and management joined the meeting.
28/15	Election of Chair RESOLVED that Nick Collins be elected as Chair of the Audit Committee for 2015/16. The Committee received a copy of the Terms of Reference of the Committee for information.
29/15	Part A minutes of a meeting of the Audit Committee held on 10 July 2015 and Matters Arising The Part A minutes of the meetings of the Audit Committee held on 10 July 2015 were approved as a correct record subject to the deletion of the words “of less than £20m” in minute 20/15.
30/15	Total People Limited Audit Plan The Audit Plan for Total People Limited for the year ended 31 July 2015 was presented for the information of the Committee.
31/15	Regularity Audit and Financial Statements 2014/15 The Manchester College Audit Findings Report The external auditors (Grant Thornton) presented their Audit Findings Report for The Manchester College. The Committee noted that the audit opinion was unqualified, there were no major concerns and all basic audit controls were in place demonstrating good practice across the board. The College’s performance for the year and the prospects for the future remained strong. The auditors assured the

	<p>Committee that the audit had proceeded to plan and any queries had been promptly considered and resolved.</p> <p>The Committee discussed the reasonably possible risks in detail. A Governor queried and it was confirmed that there was no risk of grant revenue clawback. The FRS17 liability was discussed and it was noted that the actuarial assumptions were in line. A Governor queried and it was confirmed that the next three year actuarial valuation for the GMPS would be available in late 2016. The auditors had considered the potential long term impact of the Area Review but noted that it was still too early to draw any conclusions. The auditors confirmed that they had thoroughly reviewed all aspects of the acquisition of Total People Limited and were satisfied with the accounting treatment it had been accorded. A Governor queried the lack of a fair value adjustment on assets and it was confirmed that the auditors were happy with the accuracy of the valuations provided on acquisition. It was agreed that the entry for contingent liability on deferred consideration would be amended to refer to the maximum amount payable and the note amended accordingly.</p> <p>Total People Audit Findings Report</p> <p>The auditors presented their Audit Findings Report for Total People Holdings Limited, Total People Limited and Total People Apprenticeship Training Company Limited. A Governor queried whether Total People Holdings would be required to submit consolidated accounts and it was confirmed that whilst they had been this year, in future years they would not. It was confirmed that the intention was to simplify the corporate structure by removing Total People Holdings Limited in due course. The Committee discussed whether a fair value adjustment should be made for dilapidation costs in connection with the various property leases held. It was agreed that the extent and cost of any work required under the leases would be investigated in order to make a judgement on the materiality of this item.</p> <p>Consolidated Financial Statements 2014-15</p> <p>The Committee received the draft consolidated Financial Statements for 2014/15 for scrutiny and review prior to their recommendation to the Board. The Chief Finance Officer presented a summary report on the College's financial performance for 2014-15 which included confirmation of financial health grade 'Good'. It was reported that, in contrast to much of the sector, the College had achieved a surplus in the year. The Committee gave assurance that the College remained a Going Concern for the year 2014-15.</p> <p>RESOLVED to recommend to the Board of Governors approval of the Regularity Audit and the Financial Statements 2014/15, Statement of Compliance/Going Concern, together with the associated letters of engagement and representation as required.</p>
32/15	<p>FRS 102</p> <p>The Committee heard that the new Financial Reporting Standard 102 and amended SORP would be introduced for the accounting period to 31/07/2016. The opening balance statement for 2014-15 would need to be restated under FRS 102. The Committee discussed various other items which would need to be reviewed. It was confirmed that deferred capital grants could be treated as accruals or on a performance basis. Whilst the FE sector was generally leaning towards the accruals model, it was suggested that next year's Accounts Direction might provide some guidance on this. It was confirmed that the holiday pay liability had been added to the balance sheet and that alignment of the holiday year was being addressed as part of Project Connect. The Committee heard that different options were available in respect of fixed asset land valuation and it would be important to ensure that the model selected aligned with the estates review. A Governor queried how FRS 102</p>

	<p>would impact the acquisition of Total People Limited and it was confirmed that different elements of the transaction would have to be itemised and treated accordingly. It was agreed that a meeting to discuss the impact of FRS 102 on the 2015-16 accounts would be scheduled for January 2016.</p>
33/15	<p>Strategic Risk Update</p> <p>The Committee heard that a new risk management process was being implemented as part of the new governance structure. The aim was to ensure that the divisional boards had oversight of and responsibility for risk management in the business units. Responsibility for risk management was also being included in management role profiles and a full report would be provided to the next meeting.</p>
34/15	<p>Internal Audit Progress Report</p> <p>The Committee received the report on progress against the internal audit recommendations. The internal auditor (RSM formerly Baker Tilly) reported that where actions were still outstanding, acceptable explanations had been provided. A summary was provided on the outstanding actions and it was confirmed that all of those with a purple financial rating were in respect of IT. A Governor queried whether the extended deadlines for these actions were realistic and it was confirmed that the actions were all being progressed. It was agreed that an updated report would be provided to the next meeting.</p>
35/15	<p>Internal Audit Reports</p> <p>Annual Internal Audit Report</p> <p>The internal auditor highlighted the main areas of the report and a discussion ensued on the overall internal audit opinion for 2014/15. The report was informed by the work undertaken by the internal auditor throughout the year and all of the recommendations had been accepted by management. The Committee noted that the College had adequate and effective governance, risk management and control processes in place.</p> <p>OLASS: Strategy, Oversight and Follow Up of SFA Actions (10.14/15)</p> <p>The internal auditor presented the report. The outcome was positive and a number of areas of good practice were highlighted. There were no management recommendations.</p>
36/15	<p>Gifts and Hospitality</p> <p>Annual Report</p> <p>The Committee received and noted the Annual Gifts and Hospitality Report. It was confirmed that staff would henceforth be required to report gifts and hospitality on a quarterly basis. Governors were reminded that they were obliged to declare any gifts or hospitality received in their capacity as governor.</p> <p>Policy</p> <p>As part of the cycle of policy review, the Gifts and Hospitality Policy was presented and approved.</p>
37/15	<p>Health & Safety Report</p> <p>The Committee received the Health and Safety Report. The Head of Safety Health and Environmental reported that he had undertaken a comprehensive review of Health and Safety policies and compliance throughout the organisation and presented his proposals to strengthen and improve provision. It was confirmed that responsibility for Health and Safety would be included in managerial role profiles and that an appropriate staff training plan would be developed. The Committee</p>

	<p>heard that the aim was to achieve the OHSAS 18001 Management Standard. A Governor queried and it was confirmed that progress against the implementation of the Health & Safety strategic plan would be added to the risk register for each business unit. It was agreed that an update on the implementation of the plan would be presented to the next meeting.</p>
38/15	<p>Audit Committee Annual Report 2014-15</p> <p>The report summarised the work of the Committee and the issues considered for the year 2014/15.</p> <p>RESOLVED to recommend to the Board of Governors approval of the Annual Report of the Audit Committee.</p>
39/15	<p>SFA Funding Assurance Review 2014-15</p> <p>The Group Director of Planning and Performance presented the draft SFA/EFA Funding Assurance Review. The Committee heard that it was the first substantive audit to be undertaken on the FE College since 2009 and since the SFA was established. The Committee heard a summary of the findings, management responses and the resulting adjustments made to the 2014-15 ILR. In-year impact on income was restricted to the Apprenticeship provision where there was a 1.5% variance and the Group Finance Director confirmed that a provision had been made for this. It was confirmed that the audit opinion was unqualified as the overall level of error was below 5%. A Governor queried the increase in level of error in the Apprenticeships Unit from 0.4% last year to 1.5% this year and it was confirmed that this was reasonable in view of the legacy issues within the Unit. Governors commended the 100% accuracy achieved in respect of ESF Match funding testing. The Committee noted that the date of the next audit would be notified in June 2016.</p>
40/15	<p>Financial Regulations</p> <p>The Group Finance Director presented a summary of the amendments to the Financial Regulations. The Regulations had been thoroughly revised to reflect the new governance structure, the acquisition of Total People as well as new legislation and best practice requirements. It was confirmed that detailed work on the authority levels was ongoing but an interim document would be submitted to the next Board of Governors for approval. The Committee suggested that it would be good practice for the internal auditors review and comment on the document.</p> <p>Gill Mangnall left the meeting.</p>
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RESOLVED that, as the items to be considered are deemed commercially sensitive the Board move to Part B.