

MEETING OF **AUDIT COMMITTEE**
TIME/DATE **5.00pm Wednesday 20th November 2019**
VENUE **Gateway Boardroom, Parson’s Walk, Wigan**

ATTENDANCE:

Committee Members	<i>Kath Causey</i> Gill Edwards (Chair) <i>Susan Loudon</i> David McDonald
External Co-opted Member	Pauline Hunter
Clerk Finance Director Vice Principal, Corporate Services Assistant Principal IT, MIS and Subcontracting	Robert Smith Steve Scott Louise Brown Dave Harrison
Internal Auditor (ICCA) External Auditor (Wylie Bisset)	Jonathan Creed Scott Gillon
Department for Education (Visitor)	Steven Boon

Italics denotes absence

MINUTES

Item	The meeting opened at 5.00pm and was quorate with at least 2 members present.	
1	A/20/11/01	CONSULTATION WITH AUDITORS Members, the Internal Auditor and the External Auditor met for initial discussions in the absence of the Executive Team and the Clerk.
2	A/20/11/02	APOLOGIES There were apologies for absence from Kath Causey and Susan Loudon.
3	A/20/11/03	APPOINTMENT OF CHAIR In the absence of the Chair and Vice Chair, members elected Gill Edwards to act as Chair for this meeting. The Chair welcomed Steven Boon from the Department for Education to the meeting as an observer.
4	A/20/11/04	DECLARATIONS OF INTEREST There were no declarations of interest.
5	A/20/11/05	MINUTES OF THE MEETING HELD ON 12th JUNE 2019 The minutes were approved as an accurate record of the meeting and for signature by the Chair.

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6	A/20/11/06	MATTERS ARISING The Clerk advised that all matters on the committee's Action Sheet were now complete.
7	A/20/11/07	MOCK FUNDING AUDIT – AEB & APPRENTICESHIPS It was noted that the draft report relating to this matter had been discussed at the previous meeting and that the final report had been circulated to all members. The Clerk also advised that the agreed actions relating to this audit were now included on the Audit Implementation Tracker and that most had been fully implemented.
8	A/20/11/08	INTERNAL AUDIT ANNUAL REPORT 2018/19 The Internal Auditor provided a summary of internal audit activity during 2018/19 and it was noted that the committee had previously been provided with reports for each audit. These covered: <ul style="list-style-type: none">• Safeguarding and the Prevent Duty• English & Maths Strategy• Financial Controls – HR and Payroll• HR Performance Management• Mock Funding Audit• Partnerships and Subcontracting• GDPR Compliance• External Sub-Contracting Controls Assurance• Follow-Up Audit Members were pleased to note that, in the seven of nine audits where a judgment of assurance was provided, a rating of 'substantial assurance' had been provided, and that the assurance level for the remaining two audits was 'reasonable'. The auditor drew members' attention to the Head of Internal Audit's opinion on the annual audit process. It was noted that this opinion was unqualified and confirmed that the Governing Board could be provided with reasonable assurance that the college's governance and risk management, and systems of internal control were operating adequately and effectively. He also confirmed that no significant control issues had been identified. Members reviewed the audit activity against the original audit plan and were pleased to learn that all planned activity had been carried out as expected and that the total number of audit days matched the original plan. RESOLVED: That the Board be recommended to approve the Internal Audit Annual Report 2018/19
9	A/20/11/09	FINANCIAL STATEMENTS AUDITOR REPORT 2018/19 The Financial Statements Auditor drew members' attention to the executive summary of his report and outlined the key financial reporting values, including operating deficit resulting from actuarial pension valuation, net assets and operating surplus. Members were pleased to note that the auditor expected to issue an unmodified audit opinion and had no issues of concern to report in relation to the regularity assurance opinion. The auditor commented that the college's financial forecasts had been tested during the audit and that he was satisfied that these were realistic and appropriate. He also confirmed that he had no concerns in relation to the college's 'going concern' status. The auditor outlined the audit process for reviewing governance and internal control arrangements and reported that the audit findings indicated that the college had strong systems in place to comply with governance requirements. Members noted that the

		<p>auditor had made two recommendations within his report, the first relating to the valuation of freehold land and buildings and the second relating to a review of year-end invoices and accruals. The Clerk advised that the latter of these had already been carried out and that the former would be monitored within the Audit Implementation Tracker.</p> <p>The Co-opted Member sought clarification in relation to the accounting deficit and asked whether this was the result of the pension adjustments and whether the operating position would otherwise have been a surplus. The auditor confirmed that this was the case. The auditor highlighted the variances between expected and actual income and expenditure and outlined the explanations provided by the college. He also confirmed that he was satisfied that these explanations were adequate to explain the related variances. The auditor commented on the documentation provided by the college's Finance Team during the audit process and reported that this had been of a good standard, which had helped make the audit process more efficient and effective.</p> <p>Members review the report appendix on unadjusted errors and noted that only three had been identified during the audit. The auditor confirmed that all three had been below materiality levels. The expected funding levels for 2019/20 were also discussed and it was noted that formal confirmation from the Education & Skills Funding Agency (ESFA) had not yet been received but was expected imminently.</p> <p>The auditor drew members' attention to the letters of representation appended to his report, the first relating to the financial statements audit and the second relating to the regularity audit. He explained that these letters represented statements by the Governing Board to the auditor and highlighted the importance of the Governing Board being satisfied that the statements made were accurate.</p> <p>RESOLVED: That the Board be recommended to approve the Annual Report on the External Audit for the year ended 31st July 2019.</p>
10	A/20/11/10	<p>ANNUAL REPORT & FINANCIAL STATEMENTS 2018/19</p> <p>The Finance Director outlined the regulatory requirements associated with the reporting of the college's Annual Report and Financial Statements, including the letters of representation and statements to be signed by the Chair of the Governing Board and the Principal, as the Accounting Officer. He also outlined the key financial data within his report and provided explanations in relation to the reconciliation of the financial statements with the July 2019 management accounts, previously reported to the Governing Board. It was noted that the movement in surplus value between the two accounts related to FRS102 pension changes and the amortisation of the 2014 valuation reserve. It was also noted that the net impact of these changes had resulted in no difference in the forecast surplus reported to the Board in October 2019 before release of the revaluation reserve. The Finance Director confirmed that there was also no impact on cash balances and that the reconciliation would not lead to additional audit adjustments. He also confirmed that the college's financial health would remain 'good' based on the outturn for 2018/19 and that the college would remain in compliance with its banking covenants.</p> <p>Members sought further clarification in relation to the variance between expected pension costs and actual pension costs. The Finance Director explained that the actual pension cost is not known until after year end and can be subject to significant variances from year to year. It was noted that the budget had been set at the previous year's actual value as this was the best guide available. The Finance Director explained that the variance was largely due to the outcome of a legal judgment relating to age discrimination.</p>

		<p>The Finance Director drew members' attention to the ESFA finance dashboard for the college and highlighted increases in the college's cash reserves. Members sought clarification in relation to how the college might move from 'good' to 'outstanding' financial health. The Finance Director responded that the key measure to achieve this would be to deliver larger surpluses. However, he reminded members that the Governing Board had made it clear that, provided good financial health could be maintained, it was currently more important to reinvest likely surpluses into the college's equipment and estate than it was to leave surpluses unutilised to achieve a formal rating of outstanding financial health.</p> <p>The Co-opted Member asked whether changes in the pension valuation would impact on the college's compliance with banking covenants. The Finance Director responded that compliance would not be affected, although it was noted that this was because initial proposals from the bank in relation to covenants had been re-negotiated to remove terms whereby valuation changes would have had the potential of leading to non-compliance.</p> <p>The Chair asked whether there were any significant concerns in terms of college finances in the next two to three years. The Finance Director explained that, whilst there could always be unexpected financial challenges, the current income forecasts appeared more certain than in recent years. It was noted that this was largely due to recent clarification on the allocation of the Adult Education Budget following funding devolution to the Greater Manchester Combined Authority. It was also noted that 16-18 funding continued to grow and that demographic factors suggested that this would continue for the next two years. However, it was also noted that these funding increases were subject to 'lagged funding' arrangements through which the college would need to fund in-year growth before the increase in funding would be secured in the following year. The Vice Principal, Corporate Services explained that the college took significant care in its growth planning and focused on trying to increase student numbers in areas where there would be limited increases in associated expenditure.</p> <p>The Co-opted Member also asked whether the college had been subject to interest charges for late debtor payment under the Late Payment of Commercial Debts (interest) Act 1998. The Finance Director responded that he was not aware of any invoices being received seeking interest payments under the Act. He also confirmed that debtors were paid on time in the vast majority of cases and that, where there was an exception such as a dispute over the invoice value, effective communication with the debtor was maintained.</p> <p>RESOLVED: That the Board be recommended to approve the Annual Report & Financial Statements 2018/19 and the associated Letters of Representation for signature by the Chair of the Governing Board and Accounting Officer as required.</p>
11	A/20/11/11	<p>REGULARITY AUDIT QUESTIONNAIRE</p> <p>The External Auditor presented the draft Regularity Audit Questionnaire and outlined the college's proposed responses. It was noted that these responses had been discussed with Chair of the committee in advance of this meeting and had been provisionally agreed. The Auditor explained that the questionnaire responses were used as the basis for the regularity audit. He also outlined this audit process and explained that the level of audit testing was expected only to deliver 'limited' assurance, rather than the 'reasonable' assurance level expected under the financial statements audit. The auditor confirmed that he had no concerns or issues to raise in relation to the regularity audit.</p>

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		<p>The Co-opted Member asked what safeguards were in place to counteract key risks associated with a report into failures at Bournville College, as detailed within the auditor's report. The auditor responded that the areas of concern highlighted in relation to Bournville College were not apparent in the activities at Wigan & Leigh College. It was noted that Wigan & Leigh College had adopted a considerably lower risk approach to its activities and had significantly better systems of internal control.</p> <p>RESOLVED: That the Board be recommended to approve the Regularity Audit Questionnaire for signature by the Chair of the Governing Board and Accounting Officer as required.</p>
12	A/20/11/12	<p>AUDIT IMPLEMENTATION TRACKER</p> <p>The Clerk outlined outstanding audit actions and it was noted that 6 of the 12 recommendations within the report had now been fully implemented. It was also noted that initial actions had been put in place for 5 further recommendations, with the remaining action not due for completion until March 2020.</p> <p>The Chair sought further information in relation to the recommendation on due diligence in advance of entering into data sharing arrangements. The Assistant Principal provided examples of the type of data sharing arrangements concerned, including the provision of data to the local authority in relation to the status of young people in terms of their taking part in education and training activity. He added that the college's due diligence processes had been reasonably robust for most arrangements, such as working with sub-contractors but not as robust in some other arrangements. It was noted that this recommendation was to further strengthen due diligence arrangements where required and introduce due diligence checks where they had not previously been in place.</p> <p>The Chair also asked why a review of the Data Protection Policy would not be implemented until March 2020. The Assistant Principal responded that the required process improvements would not be delayed and that it was only the policy document itself that was not due to be reviewed until that date.</p>
13	A/20/11/13	<p>ANNUAL RISK MANAGEMENT REPORT TO THE GOVERNING BOARD</p> <p>The Finance Director advised that the annual report to the Board was simply a year-end snapshot of the risk position and reflected the position reported to the Audit Committee in June 2019</p> <p>RESOLVED: That the Annual Risk Management Report for 2018/19 be approved for presentation to the Board.</p>
14	A/20/11/14	<p>REVIEW OF NEW RISK REGISTER</p> <p>The Finance Director explained that the Executive Team had carried out a review of the risk register and now recommended a number of improvements to the risk register report. He explained that a number of risks had substantially reduced over time and could now be incorporated into other generic risk monitoring. He gave the example of a specific funding stream being identified as a key risk and that risk reducing to the extent that it could now be incorporated into the college's wider funding risk monitoring. The Finance Director also explained that the review had concluded that a number of new risks should be added to the register to reflect political and sector changes.</p>

		<p>Members discussed the report summarising the register changes and noted that this highlighted those risks being removed, those being consolidated and those added as new risks. It was noted that the changes were then reflected in a second summary which would now become the new risk register if the proposals were agreed by the committee. Members commented on the presentation of the new report and agreed that directional arrows were a good addition to indicate where the intensity of a risk has increased, decreased or stayed the same. The Co-opted Member asked whether the report would benefit from a RAG rating to show the risk level as red, amber or green. The Finance Director responded that this was reflected in the colour of the directional arrows but agreed to add an additional circular traffic light to indicate the RAG rating.</p> <p style="text-align: right;">Action: Finance Director</p> <p>The Chair asked how often the risks were review and the Vice Principal responded that the risks were frequently reviewed, although the full register may only be updated on a quarterly basis. She provided the example of funding risks being monitored weekly by the Executive Team. Members agreed that the changes to the register were appropriate and provided a better reflection of the college’s current risk position.</p>
15	A/20/11/15	<p>DATA ASSURANCE REPORT</p> <p>The Assistant Principal outlined the key areas of data included within his report and explained that the summary of assurance mechanisms was intended to provide clarity to members that the data relied upon by the college and presented to the Board and its committees was subject to these mechanisms and controls. Members noted that this was intended to provide additional assurance in relation to statements within the Annual Report and Financial Statements and the committee’s ability to recommend to the Board that these can be signed by its Chair and the Accounting Officer.</p>
16	A/20/11/16	<p>AUDIT COMMITTEE ANNUAL REPORT 2018/19</p> <p>The Clerk outlined the content of the draft report on the activities of the committee during 2018/19. He highlighted key areas of the report, including those relating to committee opinion and asked members if they wished to comment. Members discussed the report content in detail and noted the inclusion of the audit opinions relating to the Internal Audit Annual Report, the Financial Statements Audit and the Regularity Audit.</p> <p>Members reviewed the report conclusions and the opinions and recommendations detailed within them. It was noted that these included adequacy of the college’s assurance framework and the effectiveness of controls in terms of supporting the effective and efficient use of resources, the solvency of the college and the safeguarding of its assets. It was also noted that the conclusions stated that control arrangements were adequate to permit the Chair of the Board and the Accounting Officer to sign the Statement of Corporate Governance and Internal Control, the Statement of Regularity, Propriety and Compliance and the Statement of Responsibility of the Members of the Corporation.</p> <p>RESOLVED: That the Board be recommended to approve the Audit Committee Annual Report 2018/19</p>
17	A/20/11/17	<p>ANY OTHER BUSINESS</p> <p>The Chair commented on the content of a governor development session held in advance of this meeting and suggested that it might be useful for members who had been unable</p>

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		to attend to be briefed particularly on the auditor's suggestions to governors on what to consider when seeking assurance in relation to solvency. The Clerk agreed to add an additional item to the December Governing Board meeting, where the Finance Director would be able to outline the factors identified by the auditor and provide additional information in relation to the ways in which the college provided suitable assurance. Action: Clerk
		DATE AND TIME OF NEXT MEETING – 5pm Wednesday 4 th March 2020
		The meeting closed at 6.45pm