

MEETING OF **AUDIT COMMITTEE**

TIME/DATE **5.00pm, Wednesday 21st November 2018**

VENUE **Gateway Boardroom, Parson's Walk, Wigan Campus**

ATTENDANCE:

Committee Members	Ann Harrison (Chair) Gill Edwards Susan Loudon
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

*Italics denotes absence***MINUTES**

Item	The meeting opened at 5.00pm and was quorate with at least 2 members present.	
1	A/21/11/01	CONSULTATION WITH AUDITORS The Chair asked members and the auditors whether there was any business they would wish to discuss in the absence of the Executive Team and the Clerk. There was no business of this nature to discuss.
2	A/21/11/02	APOLOGIES There were no apologies for absence.
3	A/21/11/03	DECLARATIONS OF INTEREST It was noted that the Chair's employer was referred to within the Report & Financial Statements as a legal advisor to the college for local issues and that one committee member was a member of the same pension scheme as college employees. Members agreed that none of the specific business to be discussed at the meeting would present a conflict in relation to these matters.
4	A/21/11/04	MINUTES OF THE MEETING HELD ON 20th JUNE 2018 The minutes were approved as an accurate record of the meeting and for signature by the Chair.
5	A/21/11/05	MATTERS ARISING The Clerk advised that two outstanding actions on the committee's Action Sheet would be covered under the current agenda and that two further actions were scheduled for completion at a later date.

		<p>The Internal Auditor was invited to comment on the college's systems of controls in terms of addressing sector-wide concerns identified by the former Chief Executive of the Education & Skills Funding Agency (ESFA). The auditor advised members that the ex-Chief Executive's letter referred to his observations about failing colleges and other learning points identified in relation to college governance. He commented that the letter had been important in helping colleges understand key challenges and some of the characteristics identified during a series of college failures. The auditor explained that poor governance controls and checks and balances had led to serious problems within the sector. However, he reported that the audits of Wigan & Leigh College had found controls to be robust, with most providing substantial assurance in terms of the design and effectiveness.</p> <p>The Chair asked whether any of the characteristics of failing colleges were evident at Wigan & Leigh College. The auditor responded that this was not the case. He highlighted the Internal Audit Annual Report conclusions, which identified substantial levels of assurance, and an unqualified audit opinion. It was noted that the substantial controls identified during the 2017/18 audits included those within the Corporate Governance audit.</p>
6	A/21/11/06	<p>INTERNAL AUDIT ANNUAL REPORT 2017/18</p> <p>The Internal Auditor provided a summary of internal audit activity and it was noted that the committee had previously been provided with reports for each audit. These covered:</p> <ul style="list-style-type: none"> • Student Journey (enrolment to funding) • Corporate Governance • Information Learning Technology (ILT) Strategy • Higher Education Strategy • Curriculum Planning • Mock Funding Audit • External Assurance of Sub-contracting Controls <p>The auditor reminded members that there had been no follow-up audit during 2017/18 as it had been agreed that this should be carried out in the year after the related audits. It was noted that this approach was normal practice across the sector but had been previously amended at the college so that it would be carried out in-year. Members agreed that carrying out the follow-up audit in the following year would be more appropriate as this would give time for improvement actions to be put in place and for evidence to be available that the action had been embedded into college systems of control.</p> <p>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 there had been no instances where any breakdown of control had resulted in material discrepancies and that no significant control issues had been identified.</p> <p>The Chair asked why the total number of audit days was below the original number planned at the beginning of 2017/18. The auditor explained that the decision to move the follow-up audit to the subsequent year and a decision to delay the English & Maths Strategy audit until 2018/19 had reduced the overall activity. The Chair also sought clarification in relation to a reported target of all reports being completed within 10 days as it had appeared that the Corporate Governance audit had taken longer than this to complete. The auditor explained that the target related to the initial report being produced but that, in the case of the Corporate Governance audit, there had been a number of subsequent changes not requested by management at the time of the original report.</p>

		<p>Members also asked for more information about how audits were selected and who was involved in the selection process. The auditor explained that audit selection was based on analysis of challenges facing the sector, the college's own risk register and meetings with the Executive Team. It was noted that the rationale for selection would then be brought to the attention of the Audit Committee who would consider the Annual Audit Plan prior to recommending to the Board for approval. Members commented that the areas selected for audit in 2018/19 appeared relevant to known risks and other challenges reported to the committee and the Board.</p> <p>RESOLVED: That the Board be recommended to approve the Internal Audit Annual Report 2017/18</p>
7	A/21/11/07	<p>ANNUAL REPORT & FINANCIAL STATEMENTS 2017/18</p> <p>The Financial Statements Auditor drew members' attention to the Annual Report and Financial Statements for 2017/18 and outlined key matters within the executive summary. It was noted that the auditor expected to issue an unmodified audit opinion and had no issues to report in relation to the regularity audit. It was also noted that the auditor was satisfied that the college had sufficient resources in place to continue its operations for the foreseeable future and remained able to prepare its financial statements on a going concern basis. The auditor also advised that he was satisfied that the college had strong systems in place to comply with governance and internal control arrangements.</p> <p>Members discussed the report and letters of representation and noted that the report contained one recommendation for improvement of the college's approach to identifying income accruals. The Finance Director advised that this involved a receipt of apprenticeship funding allocated to 2018/19 when it related to activity in 2017/18. The auditor confirmed that the value did not cause materiality issues and it had been agreed that the value would remain allocated to 2018/19 for accounting purposes. The Finance Director confirmed that improvements had been made to the review process for accruals.</p> <p>The auditor reported that the working papers provided by the college during the audit had been of good quality, which had assisted the audit process. He also outlined financial movements compared to the previous year and compared to budget. Members were satisfied that these movements were in line with reports received by the Board and its committees. Based on the findings of the auditor's report, members agreed that it was appropriate for the committee to recommend the report and letters of representation to the Board for approval.</p> <p>The Finance Director highlighted a number of areas within the Annual Report and members suggested a small number of changes. These included changes in the alignment of some numerical data and a change of presentation for governor attendance from percentages to the number of meetings attended out of the total number expected. The Finance Director was also asked to consider whether the report would benefit from inclusion of early 2018/19 student recruitment data or additional commentary about recruitment as this may provide further evidence of the college's positive financial position going forward.</p> <p style="text-align: right;">Action: Finance Director</p> <p>The Finance Director outlined the reconciliation of the July 2018 management accounts to the Financial Statements and members noted that this included a classification difference relating to an FRS102 adjustment shown in the management accounts as a separate line</p>

		<p>but incorporated into salary costs and interest within the Financial Statements. Members also noted that a second reconciliation item related to amortisation of the revaluation reserve shown in the management accounts as sundry income, whilst reflected in the college's statement of changes in reserves within the Financial Statements.</p> <p>Members discussed the Education & Skills Funding Agency (ESFA) Dashboard and noted that the college's financial health remained 'good', with further improvement in assessment points. Members also noted that the dashboard showed a continuation in the upward trend for student recruitment at the college, staff costs below national average, reducing borrowings, a 'good' liquidity rating and a 'good' performance ratio.</p> <p>RESOLVED: That the Board be recommended to approve the Annual Report & Financial Statements 2017/18 and the associated Letters of Representation for signature by the Chair of the Governing Board and Accounting Officer as required.</p>
8	A/21/11/08	<p>REGULARITY AUDIT QUESTIONNAIRE</p> <p>The Finance Director presented the draft Regularity Audit Questionnaire and outlined the proposed responses. It was noted that the responses had been discussed with Chair of the committee in advance of this meeting. Members sought clarification about the process for setting responses and who had been involved in preparing the draft. The Finance Director explained that the initial responses were drafted by members of the Executive Team prior to discussion with the Chair of the committee. It was noted that the committee would then have the opportunity to amend responses if required prior to submission to the Board for approval.</p> <p>The Financial Statements and Regularity Auditor also explained that he had reviewed the proposed responses and considered the appropriateness of the evidence statements against ESFA expectations. He confirmed that this process had not led to any matters of concern being raised.</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>
9	A/21/11/09	<p>AUDIT IMPLEMENTATION TRACKER</p> <p>The Clerk outlined outstanding audit actions and it was noted that 9 of the 14 actions within the report had now been fully implemented. It was also noted that the remaining 5 actions had been partially implemented, with some only requiring further testing to ensure that the actions had been embedded into college controls.</p> <p>The Chair sought further information in relation to members completing online safeguarding and Prevent training. The Clerk confirmed that those governors identified during the audit as not having completed the training had now done so. However, he explained that two of the recently-appointed governors also needed to complete the training and that this was in hand.</p>
10	A/21/11/10	<p>RISK REGISTER</p> <p>10.1 <u>Termly Risk Register Update</u></p> <p>Governors received the updated risk register and reviewed changes in the risk position</p>

10.2		<p>since the committee's meeting in June 2018. The Finance Director advised that the register contained the same 22 risks identified in June but some had been increased in weighting and others reduced. Members discussed the changes and the reasons behind them. The Chair commented that the changes reflected matters brought to the attention of the Board and its committees and that the overall risk picture reflected concerns discussed during governance meetings.</p> <p><u>Annual Risk Management Report</u></p> <p>The Finance Director reminded members that the Internal Auditor had recommended that the Board be provided with an Annual Risk Management Report in addition to the termly reports received by the committee. He drew members' attention to the annual report and explained that this showed the year-end risk position as at 31st July 2017. Members noted that this report was similar to the risk position previously discussed at the committee's meeting in June 2018.</p> <p>RESOLVED: That the Annual Risk Management Report for 2017/18 be approved for presentation to the Board.</p>
11	A/21/11/11	<p>GDPR IMPLEMENTATION UPDATE</p> <p>The Assistant Principal reminded members that they had requested a further update at this meeting in relation to the college's implementation of controls relating to the introduction of the new General Data Protection Regulations (GDPR). He reported that compliance arrangements at the college had continued to be developed and that appropriate training and awareness-raising for staff had been put in place. He reported that the following actions had been completed:</p> <ul style="list-style-type: none"> • Established central record of data held by the college • Updated current IT systems to ensure compliance. • Established the Data Protection Officer Role, within current staffing structure. • Implementation of new Privacy Notices, and recording of consent. • Change in enrolment processes and implications on data capture • Established protocol for the exchange of information with stakeholders • Staff training and awareness. • Included GDPR in the Internal Audit Plan. <p>Members asked whether there had been a notable increase in Subject Access Requests since the new regulations came into force. The Assistant Principal confirmed that the increase in requests had been significant as a result of the increased level of public awareness following substantial media reporting of the new regulations. The Assistant Principal also highlighted a number of challenges surrounding the new arrangements, including difficulties in securing consent from 16-18 age range students to speak to their parents about matters relating to their attendance or education. The Chair asked whether any data breaches had been identified since the regulations came into force. The Assistant Principal confirmed that no breaches had been identified. Members also commented on the fact that GDPR compliance remained an amber risk on the college's risk register even though progress in ensuring compliance was clear. The Assistant Principal responded that the risk rating was based on a cautious analysis and would remain until GDPR had been subject to an internal audit.</p>

12	A/21/11/12	<p>AUDIT COMMITTEE TERMS OF REFERENCE</p> <p>The Clerk explained that a number of changes were proposed to the Audit Committee terms of reference and he drew members' attention to the suggested amendments. It was noted that most changes were to reflect Internal Auditor recommendations or to comply with the requirements of the Post-16 Audit Code of Practice. It was also noted that a further change related to recommendations to be contained within a report on a Scheme of Delegation to be presented to the Board in December 2018. The Clerk explained that this change would remain subject to the relevant parts of the Scheme of Delegation being approved.</p> <p>RESOLVED: That the Board be recommended to approved the proposed changes to the committee's terms of reference, subject to the approval of relevant provisions with the proposed Scheme of Delegation.</p>
13	A/21/11/13	<p>AUDIT COMMITTEE ANNUAL REPORT 2017/18</p> <p>The Clerk outlined the content of the draft report on the activities of the committee during 2017/18. 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 opinion 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 and the Statement of Regularity, Propriety and Compliance within the Financial Statements as required. The Finance Director highlighted that this should also include the Statement of Responsibility of the Members of the Corporation. The Clerk agreed to add this prior to submitting the report for Governing Board approval.</p> <p style="text-align: right;">Action: Clerk</p> <p>RESOLVED: That the Board be recommended to approve the Audit Committee Annual Report 2017/18</p> <p>The Internal Auditor and Financial Statements Auditor left the meeting at 6.30pm</p>
14	A/21/11/14	<p>REVIEW OF AUDITOR PERFORMANCE</p> <p>The Clerk drew members' attention to the schedule of commentary on auditor performance for both the Internal Auditor and the Financial Statements Auditor. Members concurred with the proposed commentary and the successful compliance with relevant KPIs.</p> <p>The Clerk reminded members that a re-tender exercise for the Financial Statements Auditor was planned for early in 2019 and advised that the current three-year contract with ICCA would be due for renewal or re-tender at the end of 2018/19. Members acknowledged that it may not be advisable to change both sets of auditors in the same year. It was noted that the Clerk had held discussions with the Chair and members of the Executive Team in relation to potentially extending the current three-year contract arrangements with ICCA as the Internal Auditor for a further two years. It was noted that provisions within the existing contract allowed for such an extension, subject to Board</p>

		<p>approval. The Clerk commented that this would help to prevent a situation where both sets of auditors would be replaced in the same year, which would have the potential to cause issues in terms of continuity. The Chair also commented that ICCA had provided a good service and had developed constructive relationships with the Executive Team and the committee. The Clerk advised that ICCA had indicated that it would be willing to fix the 2018/19 pricing structure for a further two years if the current contract could be extended.</p> <p>RESOLVED:</p> <ul style="list-style-type: none"> i. That the appointments of both sets of auditors be re-affirmed in line with current contractual arrangements; and ii. That the Board be recommended to approve a two-year extension to the current audit arrangements with ICCA.
15	A/21/11/15	<p>ANY OTHER BUSINESS</p> <p>There was no further business.</p>
16		DATE AND TIME OF NEXT MEETING – 5pm Wednesday 6 th March 2019
		The meeting closed at 6.45pm