

**MEETING OF**            **AUDIT COMMITTEE**  
**TIME/DATE**            **5.00pm, Wednesday 10<sup>th</sup> June 2020**  
**VENUE**                    **VIRTUAL (MICROSOFT TEAMS)**

**ATTENDANCE:**

Committee Members	Kath Causey (Chair) Gill Edwards <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 <i>Louise Brown</i> Dave Harrison
Internal Auditor (ICCA) External Auditor (Wylie & Bisset)	Jonathan Creed Claire Dalrymple

*Italics denotes absence*

**MINUTES**

Item	The meeting opened at 5.00pm and was quorate with at least 2 members present.	
1	A/20/06/01	<b>CONSULTATION WITH AUDITORS</b>  Members and the Auditors agreed that there was no specific business to discuss without the presence of the Clerk and members of the Executive team.
2	A/20/06/02	<b>APOLOGIES</b>  Apologies for absence were received from Susan Loudon and Louise Brown.
3	A/20/06/03	<b>DECLARATIONS OF INTEREST</b>  There were no declarations of interest.
4	A/20/06/04	<b>MINUTES OF THE MEETING HELD ON 4<sup>TH</sup> MARCH 2020</b>  The minutes were approved as an accurate record of the meeting and for signature by the Chair.
5	A/20/06/05	<b>MATTERS ARISING</b>  The Internal Auditor provided a number of further updates relating to matters discussed at the previous meeting. In relation to the first item on the Action Sheet, he explained that, when the college changed to an electronic financial system in 2012, it had essentially replicated previous paper-based processes without taking advantage of additional functionality available within the new electronic system. He suggested that, rather than purchasing a brand new system, the college may wish to consider reviewing the existing system to determine whether the improved functionality requirements were already available but simply not yet active. The Finance Director advised that he had held meetings with the system provider to discuss additional functionality and this was likely to

		<p>be the preferred option when taking forward improvements. However, he advised that purchasing the additional functionality was likely to be fairly expensive and would mean the college would still look at other providers, as well as considering only implementing partial improvements in line with budget availability with a view to delivering further improvements in later years. The Internal Auditor highlighted the current inability of the system to interface between student records and the finance system as one of the main inefficiencies and suggested this should be a priority. However, he also explained that the Audit Committee could still take comfort that the systems were operating effectively in terms of audit assurance, even though they may not always be time-efficient.</p> <p>In relation to the second and third items on the Action Sheet, the Internal Auditor advised that there were no recognised sector benchmarks for the number of suppliers that a college would purchase from. However, he confirmed that the number of suppliers showing within the college’s purchasing system seemed high. He commented that reducing the number of suppliers would make the system easier to use and would give the college an opportunity to improve its purchasing power through a preferred supplier approach. The Finance Director outlined progress already made in reducing the number of available suppliers by putting large numbers ‘on stop’ within the system. Members recognised that this process was adopted as removing them completely would also remove the transaction history. The Chair commented that it was not only important to rationalise the number of suppliers to improve purchasing power, but it was also important that using local suppliers was considered in this process to support an initiative by Wigan Council. Members also sought clarification about the college’s controls on purchasing limits. The Finance Director explained that the Financial Regulations contained clear limits and approval arrangements and that compliance with these controls was set within the electronic approval requirements.</p> <p>The Clerk confirmed that the final item on the Action Sheet could be considered as complete as the matter was to be discussed under a later agenda item.</p>
<p><b>6</b></p>	<p><b>A/20/06/06</b></p>	<p><b>FINANCIAL STATEMENTS 2019/20 AUDIT PLANNING MEMORANDUM</b></p> <p>The External Auditor outlined the principle audit objective of obtaining sufficient, relevant and reliable evidence to enable the Auditor to express opinions on the college’s financial statements for 2019/20. She explained that the committee and the Governing Board would be notified if proper accounting records had not been kept or if the necessary evidence required to support audit opinions was not disclosed by the college. The Auditor also outlined the nature and scope of audit activity. This included testing of the effectiveness of college financial controls. It was noted that Auditor again proposed to adopt a substantive approach to testing of transactions, rather than testing of the controls themselves. The Auditor highlighted the identified risks within the planning document, including pension funding, OfS funding requirements, financial viability and the impact of Covid-19 on college operations and finances. Members noted that, with the exception of the addition of OfS funding and Covid-19 risks, the approach and planning were largely in line with the previous year.</p> <p><b>RESOLVED:</b> That the Governing Board be recommended to approve the proposed Financial Statements 2019/20 Planning Memorandum.</p> <p><b>The External Auditor left the meeting at 5.40pm</b></p>
<p><b>7</b></p>	<p><b>A/20/06/07</b></p>	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>The Internal Auditor provided a summary of internal audits carried out to date for the 2019/20 cycle of activity. He advised that audits had been completed for the following areas:</p>

- Capital Projects Management
- Key Financial Controls
- External Assurance of Sub-contracting Controls
- Student Attendance, Retention and Intervention Strategies

Members noted that the audits for Capital Projects Management, Key Financial Controls and Subcontracting External Assurance had been reported at the previous meeting and that the Mock Funding Audit and Follow-Up Audit would be carried out in the near future and would be reported to the committee's November meeting. It was noted that both of these audits would be challenging in terms of site visits as a large number of relevant staff were not yet due to return to college and would continue to work from home. It was agreed that the Assistant Principal would discuss with the Auditor what audit evidence could be provided electronically to help reduce the amount of on-site evidence required. It was noted that this would help reduce the amount of time the Auditor would need to spend at the college.

**Action: Assistant Principal, IT MIS & Subcontracting**

It was noted that two audits (Employer Engagement Strategy and IT Data Security, Infrastructure & Disaster Recovery) had been postponed at the beginning of the Covid-19 lockdown and would be planned for a later date. The Auditor confirmed that the remaining audits would still be sufficient, in terms of the total number of auditing days, for a full audit opinion to be issued. Members sought further information about the implication of having no Internal Auditor opinion. The Clerk explained that colleges were no longer required to maintain an Internal Audit Service so there was no direct consequence of having no audit opinion or a limited opinion. However, he added that audit evidence and the annual opinion was a good source of assurance for the committee to make recommendations to the Governing Board on signing the annual assurance statement. The Internal Auditor commented that it was the committee's responsibility to have in place sufficient arrangements to gain assurance on the operation of systems of control but the source of assurance was a matter where the committee had flexibility. He provided the example of reports from management demonstrating testing of controls as an alternative to carrying out audits.

Members asked whether the college was in a similar position to other colleges in respect of the cancellation of two planned audits for the current year. The Auditor responded that the college was fairly well-placed as some other college had not yet completed a single audit in the current year. However, he added that some colleges were still managing to complete the full cycle of audits in line with their original plans.

The Auditor provided a summary of the audit outcomes for Student Attendance, Retention and Intervention Strategies and highlighted the conclusions that the design of controls was 'adequate' and that compliance with those controls was 'good'. It was noted that this led to an overall conclusion that controls were 'reasonable'. Members discussed the wide range of areas covered by the audit and the Internal Auditor highlighted attendance data within his report as one of the areas that may be of concern. It was noted that the attendance target for 2019/20 was 90% but overall attendance was 88%. Members reviewed a table of attendance for specific curriculum areas and age groups and noted some were 'RAG rated' as red. The Clerk explained that this matter was regularly reviewed by the Curriculum & Student Matters Committee and that specific issues relating to attendance had been discussed by that committee in March. He added that changes in student recruitment patterns, such as an increase in Level 1 learners following the closure of a local provider, had led to an expectation that attendance may fall slightly in the current year, although strategies to improve attendance had been delivering notable improvements shortly before the Covid-19 lockdown.

The two audit recommendations were discussed and it was noted that these related to the production of an attendance guidance document and improving controls around the understanding and tackling of specific issues relating to attendance. Members asked how

		<p>the college compared with others in terms of attendance. The Assistant Principal responded that attendance was often measured differently and was not therefore a recognised benchmark, unlike achievements and retention which could be benchmarked effectively. It was acknowledged that the best way to measure attendance success was by year-on-year comparison. It was also acknowledged that the 90% attendance target was an aspirational target that had been in place for a number of years and that 88% actual attendance was within reasonable expectations. The Assistant Principal highlighted some of the lower attendance figures as representing small cohorts, where poor attendance by just one or two students could significantly affect the data. The Chair commented that small cohort data would inevitably show deviances from core data and highlighted the importance of meeting overall attendance targets, whilst also understanding and addressing any specific areas for concern. Members also recognised that attendance performance would continue to be monitored by the Curriculum &amp; Student Matters Committee, whilst the Audit Committee would monitor the implementation of the Auditor's specific recommendations.</p>
8	A/20/06/08	<p><b>INTERNAL AUDIT PLAN 2020/21</b></p> <p>The Internal Auditor outlined the content of the plan presented within the committee papers and the processes used to identify proposed audits. This included review of the college's risk register and performance data, as well as focusing on known risks across the further education sector. However, he also explained that he had been contacted by the Clerk to explain that the plan had been reviewed during an online Chairs' Meeting and that this had resulted in a number of recommendations being made to change the current plan. The Clerk was invited to provide further information relating to the Chairs' Meeting discussions. The Clerk explained that the Chairs had concerns that the current plan would focus on the testing of controls during an abnormal period of the Covid-19 pandemic and lockdown. He gave the example of the proposed audit of benchmarking taking place in a year in which most benchmarking had been abandoned, including national performance data from the ESFA. It was also noted that many of the college's systems would be operating in a different way to normal, such as payroll processes being operated by staff working at home. The Clerk commented that arrangements would not return to normal for some time so audits would focus on processes operating in an abnormal way, meaning that identified improvements could be of little value. He added that this was the main concern of the Chairs as they had concluded that value for money would be lost with the current plan in the present circumstances.</p> <p>The Clerk highlighted a number of audits that the Chairs felt should still take place as follows:</p> <ul style="list-style-type: none"> <li>• Subcontracting External Assurance Audit</li> <li>• Mock Funding Audit</li> <li>• Follow-Up Audit</li> </ul> <p>He also highlighted an additional audit that the Chairs felt would be helpful to the committee in terms of making recommendations to the Board on overall assurance. This audit was related to the ways in which the college had managed the Covid-19 crisis and adapted approaches to still operate controls effectively. The Clerk explained that this would be a wide-ranging audit covering matters from governance to financial controls. However, it was noted that the Auditor would be asked to identify an appropriate scope for the audit, rather than the college identifying areas to be audited.</p> <p>Members discussed these proposals and expressed some concerns about removing the proposed audits from the plan. They also noted that the reduced number of auditing days was likely to mean that the Auditor could not give an assurance opinion in the Annual Internal Audit Report. However the Chair recognised that many managers and staff would not be available as they would still be working from home and that many processes and systems would be operating in an abnormal way. She concurred with the point raised by the Clerk that it was likely that recommendations arising from audits of controls operating</p>

		<p>abnormally may not be relevant to longer-term improvements and would not therefore provide value for money.</p> <p>The Clerk highlighted the importance of the committee being able to make recommendations to the Board on the operation of assurance and systems of controls in the current year and not as a matter of general operation in any given year. He suggested that the most significant risk to a failure of controls in the current year would be the ways in which the college had adapted its approaches for the Covid-19 crisis. Members acknowledged that auditing the college’s response to this crisis and how it maintained controls was perhaps the most important strand of assurance available to the committee to be able to make recommendations to the Board. It was agreed that this approach would enable the committee to form an opinion on governance and systems of control better than the outcomes of specific audits taking place when those systems of control were operating abnormally. It was agreed that the Internal Auditor should present the proposed scope for the Covid-19 audit to the March meeting of the Audit Committee for approval with a view to the audit taking place early in the Summer Term 2021. The Clerk agreed to add this matter to the agenda for the March meeting.</p> <p style="text-align: right;"><b>Action: Clerk</b></p> <p><b>RESOLVED:</b> That the Governing Board be recommended to approve the proposed Internal Audit Plan for 2020/21, subject to the agreed revisions being applied prior to presentation to the Board.</p>
9	A/20/06/09	<p><b>AUDIT IMPLEMENTATION TRACKER</b></p> <p>The Clerk outlined outstanding audit actions and it was noted that all but one of the actions had either been fully implemented or were not yet due for completion. One action remained overdue for completion, which related to building in due diligence processes when entering into new data sharing agreements. The Clerk explained that the reason this action could not yet be categorised as complete was that new data sharing agreements arose very infrequently and there had been no new examples since the action had been identified that could be used to demonstrate that due diligence provisions had been added to the data sharing agreement process. The Assistant Principal added that this was likely to change as subcontracts were negotiated for the start of the next academic year. It was also noted that the due date for review of the Data Protection Policy had been carried forward by a year as a result of changes in priorities during the Covid-19 crisis.</p>
10	A/20/06/10	<p><b>RISK REGISTER</b></p> <p>The Finance Director advised that the risk register was regularly reviewed in order to reflect the current strategic position and changes in the levels of risk intensity. It was noted that, since the date of the last report there had been significant changes to working practices as a result of the Covid-19 crisis and that the risk register had been reviewed and updated where it was deemed necessary. The Finance Director explained that the risk register included an update on the current assessment of the impact and likelihood of each risk crystallising and showed comparisons against the assessment of risk when last reported to the committee in March 2020. He highlighted the key changes as follows:</p> <ul style="list-style-type: none"> <li>• RISK 1 – “Access to funding body grants” – increased the risk by 4 from 12 (orange – significant) to 19 (red – serious)</li> <li>• RISK 2 – “Curriculum offer fails to respond” – increased the risk by 3 from 9 (yellow – manageable) to 12 (orange – significant)</li> <li>• RISK 3 – “Long term strategic financial planning not reliable owing to external environment” – increased the risk by 4 points from 12 (orange - significant) to 16</li> </ul>

		<p>(red – serious)</p> <ul style="list-style-type: none"> <li>• RISK 5 – “Failure to monitor in- year budget and produce reliable 3 year plan” – increased the risk by 10 points from 6 (yellow - manageable) to 16 (red – serious)</li> <li>• RISK 6 – “Failure to realise income targets” – increased the risk by 4 points from 12 (orange - significant) to 16 (red – serious)</li> <li>• RISK 7 – Failure to monitor expenditure” – increased risk by 6 points from 9 (yellow manageable) to 15 (orange – significant)</li> <li>• RISK 9 – “College achievement and performance targets not met” – increased the risk by 4 points from 12 (orange - significant) to 16 (red – serious)</li> <li>• RISK 14 – “Failure to adhere to General Data Protection Regulations” – increased the risk by 3 points from 9 (yellow - Manageable) to 12 (Orange – significant)</li> <li>• RISK 16 – “Failure to provide a safe environment” – increased the risk by 4 points from 12 (orange – significant) to 16 (red – serious)</li> </ul> <p>The Chair commented that it was not surprising that the risk intensity had been increased for so many of the identified risks, given the significant uncertainty brought about by the Covid-19 crisis. The Co-opted Member asked what scenario planning had been carried out to test possible outcomes on the college’s financial position in 2020/21 as a result of the Covid-19 crisis. The Finance Director responded that most of the college’s income was guaranteed core funding but that the college had modelled reductions in non-core income of 10%, 20% and 30% and had taken an even more cautious approach to budgeting in general for 2020/21. He commented that the college was in a relatively strong position when compared to many other colleges due to the fact that it had a lesser reliance on commercial and other uncertain income streams. It was noted that the college’s cash balances were also strong and were expected to remain so during 2020/21.</p>
11	A/20/06/11	<p><b>RISK MANAGEMENT POLICY REVIEW</b></p> <p>The Finance Director explained that proposed changes to the Risk Management Policy were minor in nature and it was noted that the review was only taking place as it was due under the Scheme of Delegation periodic policy review requirements.</p> <p><b>RESOLVED:</b> That the Governing Board be recommended to approve the proposed revisions to the Risk Management Policy.</p>
12	A/20/06/12	<p><b>AGED DEBT / DEBT PROVISION SUMMARY</b></p> <p>The Finance Director explained that it was not possible to predict the exact value of bad debt in any given year and that it was therefore normal practice to maintain a bad debt provision value within the budget and accounts which could then be adjusted as the collectability of debt was assessed throughout the year. It was noted that the reason bad debt provision was used was to ensure that losses through bad debts were accounted for in the same year as those debts arose.</p> <p>The Finance Director used data from the 2018/19 financial year to provide examples and explanations of the way in which bad debt provision was calculated and then managed throughout the year. He also showed comparisons with the previous year. In relation to the current financial year (2019/20), he explained that the potential year-end outstanding bad debt stood at £67K against a budgeted provision for additional bad debts of £50K, which represented a £17K shortfall. However, it was noted that it was still likely that some</p>

**WIGAN AND LEIGH COLLEGE: GOVERNING BOARD**

		<p>of the outstanding debt would be collected and that this shortfall would reduce further. Members recognised from the relatively small shortfall between likely additional bad debts and bad debt provision that the process of estimated bad debt was working effectively.</p> <p><b>The Internal Auditor left the meeting at 6.55pm</b></p>
<b>13</b>	<b>A/20/06/13</b>	<p><b>REVIEW OF AUDITOR PERFORMANCE</b></p> <p>The Clerk drew members' attention to the schedule of commentary on auditor performance for both the Internal Auditor and the External Auditor. Members discussed the proposed commentary and the auditors' compliance with relevant KPIs and concurred that the KPIs had been met. The Clerk explained that an additional category of 'Value Added' had been added to the assessment criteria for the External Auditor, both to match those for the Internal Auditor and to reflect concerns expressed by the Governing Board that auditors should strive to add value to the contractual arrangements. It was noted that the External Auditor had carried out a training session for members of the Audit Committee and Resources Committee covering the new college insolvency regime and the assessment of 'going concern'. It was also noted that the Internal Auditor had similarly carried out two training sessions in the previous year and had provided additional advice in the current year relating to delivering improvements in electronic financial systems.</p> <p><b>RESOLVED:</b> That the appointments of both sets of auditors be re-affirmed in line with current contractual arrangements</p>
<b>14</b>	<b>A/20/06/14</b>	<p><b>ANY OTHER BUSINESS</b></p> <p>Members commented on how well the current meeting had worked via online teleconferencing and suggested that this should be among the considerations for the future when the review of the Covid-19 crisis was carried out.</p>
		<p><b>DATE AND TIME OF NEXT MEETING</b> – To be confirmed by the Governing Board on 7<sup>th</sup> July 2020.</p>
		<p><b>The meeting closed at 7.05pm</b></p>