

AUDIT COMMITTEE ANNUAL REPORT 2016-7

1. Introduction

1.1. In accordance with the Skills Funding Agency's (SFA's) Post-16 Audit Code of Practice 2016 to 2017, this annual report of the Audit Committee is addressed to both the Governing Board and the Principal as the Accounting Officer for the College. The purpose of the report is to advise on the effectiveness of the College's risk management, control and governance processes.

1.2. Period covered: 1 August 2016 to 31 July 2017.

1.3. Members of the Audit Committee during the period covered by the report:

Governors:

Independent Members:

David Rogers – leave of absence and 1 out of 2 committee meetings attended.

Ann Harrison-(Chair) 4 out of 4 committee meetings attended.

Alison Dann (Staff Governor) 3 out of 4 committee meetings attended.

Kath Causey – 1 out of 1 meeting attended.

Damian Robinshaw 2 out of 2 committee meetings attended.

External Co-optee:

Pauline Hunter 4 out of 4 committee meetings attended.

Clerk to the Corporation: Lorna Lloyd-Williams , part-time Clerk, who was not a senior manager and had no significant financial responsibility.

1.4. Meetings of the Audit Committee were held on:

6th December 2016

28th November 2016

13th March 2017

19th June 2017

2. Providers of Audit Services for the period covered:

Internal Audit Service – ICCA

Financial Statements and Regularity Auditors - Wylie and Bisset LLP

3. Risk & Internal Control

3.1 ICCA were appointed as internal auditors in May 2016. The work undertaken during 2016-2017 was in accordance with the letter of engagement and Annual Internal Audit Plan.

3.2. The overall assurance that was given by the internal auditors in their annual report was as follows:

"Based on the work undertaken during the year, and the implementation by management of previous internal audit recommendations, we can provide the Audit Committee and Corporation with Reasonable Assurance that Wigan & Leigh College's governance, risk management, and

systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in a material discrepancy.

In our opinion, the College has adequate and effective governance, risk management, and systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness.

No significant control issues were identified in 2016/17 as a result of our work undertaken."

3.3 The internal auditors based their opinions for these areas as follows:

Corporate Governance

Based solely on the audits completed by ICCA in 2016/17, no significant governance issues were identified. The opinion provided by ICCA in respect of Corporate Governance should be used in conjunction with the latest conclusions reported by Ofsted in respect of Governance to support the Audit Committee in deriving its own opinion on the adequacy and effectiveness of the College's governance framework when preparing the Annual Statement of Corporate Governance and Internal Control.

OFSTED:

The effectiveness of leadership and management was judged to be Good by Ofsted during their inspection in November 2016.

Risk Management

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

The following risks identified on the College's Risk Register for 2016/17, formed part of our risk-based audit coverage during the year.

- CRR 2: Planned growth in Apprenticeships not met;
- CRR 5: Learner environment does not meet learner needs;
- CRR 7: Non-compliance with statutory/ ethical/ regulatory responsibilities; and,
- CRR 10: Material ineffective financial management.

As a result of our FINAL reports linked to the above risks, no material control failings were reported.

Internal Control

During 2016/17, we undertook nine audit reviews covering a range of systems, business areas, and systems of internal control. As a result of our work we issued seven 'Substantial Assurance' opinions. No 'Reasonable Assurance' or 'Limited Assurance' opinions were issued and no 'High Priority' recommendations were raised. Two added value/ advisory reviews where no assurance opinion has been provided, were also carried out.

Based on our coverage and conclusions during 2016/17, we are satisfied that the College's systems of internal control are designed and operating as intended. A summary of internal audit work undertaken, and the resulting opinions, is provided at section 3.

4. Financial Statements Audit

4.1. The Governing Board approves the financial statements on the advice of the Resources Committee.

4.2. The Corporation is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the *UK Corporate Governance Code* as issued by the Financial Reporting Council in September 2014 and those of the Code of Good Governance for English colleges which was adopted by the Corporation in the summer of 2015.

In the opinion of the Governing Board, the College complies with all the provisions of these Codes in so far as they apply to the Further Education Sector, except that the Board do not adhere to a maximum two term policy for members. This is because the Board believes that a balance needs to be struck between retaining good existing members and a managed turnover to introduce new governors. It has complied with the remaining provisions throughout the year ended 31 July 2017. It is the Governing Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Governing Board is provided with regular and timely information on the overall financial performance of the College, together with other information, such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. There have been 9 scheduled Governing Board meetings and a strategic workshop for Governors held over the year ended 31st July 2017.

The Governing Board conducts its business through a number of Committees. Each Committee has terms of reference that have been approved by the Governing Board. The Committees are Search and Governance, Audit, Remuneration, Resources and Curriculum and Student Matters. Full minutes of all meetings, except those deemed confidential to the Governing Board, are available from the Clerk and published on the College web-site.

The Clerk maintains a register of financial and personal interests of the Governors. The register is available for inspection at the College.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Governing Board as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Governing Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Board considers that all of its non-executive members are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Internal Control

The Governing Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Governing Board has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds for which she is personally responsible, in accordance with the Financial Memorandum between the College and the LSC and its successor organisations. She is also responsible for reporting to the Governing Board any material weaknesses or breakdowns in internal control.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on any ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place within the College for the year ended 31 July 2017 and up to the date of the approval of the annual report and financial statements.

Going Concern

After making appropriate enquiries, the Governing Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

4.3. The financial statements auditors' Financial Management Report is presented to the Audit Committee on an annual basis.

The main purpose of the audit work of the Financial Statements Auditor is designed to consider whether:

- The financial statements of the College give a true and fair view, in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'), of the state of affairs of the College as at 31 July 2017 and of its results for the year then ended;
- The financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency; and
- The expenditure disbursed and income received during the year ended 31 July 2017 has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Auditor states:

“Audit Opinion-Financial statements

We are pleased to record that there are no qualifications in our audit opinion on the College's accounts for the year ended 31 July 2017, as in our opinion, the financial statements give a true and fair view of the College's financial position and the income and expenditure and have been properly prepared in accordance with United Kingdom accepted Accounting Practice and in accordance with the requirements of the Further and Higher Education Act 1992 and directions made thereunder by the Education and Skills Funding Agency. We are satisfied that funds received have been applied for their intended purpose.

Audit Opinion-Regularity

We are pleased to record that there are no qualifications in our regularity audit opinion for the year ended 31 July 2017. In accordance with the Post 16 Audit Code of Practice issued by the Education Skills Funding Agency (ESFA) this work focuses on the regularity and propriety of the college's income and expenditure.

Members of the Corporation are responsible for ensuring that income and expenditure are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum and the ESFA and any other conditions which may be prescribed from time to time. Our work on regularity considers the college's use of funds in accordance with relevant legislation, terms and conditions and the financial memorandum. We consider non recurrent grant funding, other ESFA funding, the general activities of the college and propriety.

5. Risk Management

The Committee's consideration of the College's risk management strategy has included a continuous review of the Risk Register which was updated for each meeting of the Audit Committee. The Committee noted the specific actions since the previous meeting, the residual risks and new risks identified during the year.

The College is committed to following the principles of Risk Management in the day-to-day running of its operations. The College recognises that risk management is a key management tool in ensuring it meets its strategic aims. It will strive to ensure that the principles of risk management are embedded into all its activities.

College auditors continue to regard the College's Risk Management procedures as providing an adequate and effective level of assurance.

6. Other Matters

6.1. Fraud or irregularity – the annual report on “Occurrences of Alleged Fraud” revealed that no internal examples of proven fraud were experienced during the year.

6.2 Value for money – Tenet Education Services (Tenet) were appointed by the College in April 2016 to provide a managed procurement service to the College. The appointment commenced in

April 2016 and will continue until March 2019, inclusive. The total cost of savings available to the College following the completed projects to-date, excluding VAT is £108,294 Tenet's contractual agreement with the College guarantees a minimum savings of **£95,744**, made during the term of the awarded supply contract(s). To-date, Tenet has achieved **113.11%** of the saving guarantee.

7. Conclusions and recommendations

Audit Committee's Opinion


After considering the annual reports from both the internal audit service and the financial statements auditor, it is the opinion of the Audit Committee that the College's established procedures are adequate and operating to meet management's requirements in terms of risk management, control and governance processes.

Therefore the Audit Committee are of the view that it has operated effectively and fulfilled its obligations as identified in its Terms of Reference. In reviewing its effectiveness the skills mix of the committee has been considered and it is noted that members have financial and business expertise. It is also of the opinion that the College's audit arrangements, the internal control systems, value for money policy and procedures, financial controls, framework of governance, risk management and control are adequate, operating effectively and its processes secure economy, efficiency and effectiveness and can be relied upon.

Finally the Committee considers, based upon the information and reports presented to it, set out above, that the College's systems are adequate to permit the Chair of the Governing Board to sign the Statement of Corporate Governance and Internal Control and the Statement of the Responsibilities of the Members of the Governing Board within the financial statements.



Ann Harrison
Chair of the Audit Committee



Date

APPENDIX

Audit Committee Terms of Reference

Lorna Lloyd-Williams, Clerk

November 2017

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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Constitution

The Corporation hereby resolves to adopt the following terms of reference for the Audit Committee which is established in accordance with the Articles of Government (Clause 6). The Committee operates in accordance with the Post-16 Audit Code of Practice 2016 to 2017.. It does not have an executive role.

1. Objective

- 1.1. The Committee is established to assess and provide the Governing Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

2. Membership and Quoracy

- 2.1. The Committee shall be appointed by the Governing Board and consist of:-

- A minimum of 3 members, a majority of whom must be members of the Governing Board and must not include the Chair of the Governing Board and the Principal or members of the Resources Committee.
- The Audit Committee must ensure that it maintains its independence when considering the appointment of members and to support this, membership should also include at least one external co-optee who should be treated as having equivalent status to full members of the Governing Board.
- The Committee may include members of staff of the College other than those in senior posts.
- Members of the Committee collectively should have a range of skills and recent experience relevant to risk management, governance, finance, audit and assurance.

- 2.2. A quorum shall be 2 members of whom at least 1 shall be a full member of the Governing Board.

- 2.3. The Chair and Vice Chair of the Committee shall be appointed by the Governing Board for a term of two years, and be eligible for reappointment.

- 2.4 The terms of office of members of the Committee shall be two years. Members shall be eligible for reappointment by the Governing Board.

3. Attendance at Meetings

- 3.1. The Committee shall have the right, whenever it is satisfied that it is appropriate to do so, to go into confidential session and exclude any, or all, participants and observers, except the Clerk to the Committee. When the Committee exercises this right, the rules relating to quoracy shall be observed.

- 3.2. The internal auditor shall be invited to attend all meetings, as shall the financial statements auditor and regularity auditor, where business relevant to them is being discussed. Senior management may be required to attend meetings particularly where their area of responsibility is under discussion.

3.3. In order to maximise the independence of the Committee, the Clerk to the Governing Board must be the Clerk to the Committee.

4. Frequency of Meetings

4.1. Meetings shall be held not less than three times a year. The auditors may request a meeting if they consider that one is necessary.

5. Authority

5.1. The advice provided by the Committee to the Governing Board is primarily formed through a consideration of the work of the College's internal audit service (IAS), its financial statements auditor and regularity auditor.

5.2. The Committee has the right of access to obtain all the information it considers necessary from members of the staff and Governors, and to consult the IAS, financial statements auditor and regularity auditor directly. There shall be an item on the agenda of every meeting of the Committee – "Consultation with Auditors – before inviting officers to attend".

5.3. The Committee has the right to investigate any activity within its terms of reference

5.4. The Committee is authorised by the Governing Board to obtain outside legal or other independent professional advice up to a limit of £10,000 per annum and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary. Further expenditure would require the approval of the Governing Board.

6. Duties

6.1. In accordance with the Post 16 Audit Code of Practice 2016 to 2017, the duties of the Committee shall be to :-

- Assess and provide the Governing Board with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.
- Advise the Governing Board on the appointment, reappointment, dismissal and remuneration of the financial statements auditor, regularity auditor and other assurance providers, including the IAS, and establish that all such assurance providers adhere to relevant professional standards.
- Advise the Governing Board on the scope and objectives of the work of the financial statements auditor and the regularity auditor as well as the audit strategy and annual internal audit plans for the IAS.
- Advise the Governing Board on internal audit assignment reports and annual reports and on control issues included in the management letters of the financial statements auditor (including their work on regularity), and management's responses to these.
- Monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, the regularity auditor's management letter and spot-check reports (where appropriate) and the financial statements auditor's management letter.

- Consider and advise the Governing Board on relevant reports by the National Audit Office, the Skills Funding Agency (SFA) and other funding bodies, and, where appropriate, management's response to these.
- Produce an Annual Report for the Governing Board which summarises the Committee's activities relating to the financial year under review, including any significant issues arising up to the date of preparation of the report, and any significant matters of internal control included in the management letters and reports from auditors or other assurance providers. It must include the Committee's view of its own effectiveness and how it has fulfilled its terms of reference. The report must include the Audit Committee's opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness. The Annual Report must be submitted to the Governing Board before the Statement of Corporate Governance and Internal Control in the accounts is signed. A copy of the Audit Committee's Annual Report must be submitted to the relevant funding body with the annual accounts.
- Oversee the College's policies on fraud and irregularity and whistleblowing, and ensure the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity; that investigation outcomes are reported to the Audit Committee; that the external auditors and internal auditors have been informed, and that appropriate follow-up action has been planned / actioned, and that all significant cases of fraud or suspected fraud or irregularity are reported to the Chief Executive of the appropriate funding body.
- Inform the Governing Board of any additional services undertaken by the IAS, the financial statements auditors and the regularity auditor and explain how independence and objectivity were safeguarded.
- Establish, in conjunction with College management, relevant annual performance measures and indicators, and to monitor the effectiveness of the IAS and financial statements auditor through these measures and indicators and to decide, based on this review, whether a competition for provision of audit services is appropriate;

6.2 Annual Cycle of Audit Committee Business

- to review the Annual Business Cycle annually and consider other items of business for inclusion.

7. Reporting Procedures

7.1. The Clerk shall circulate minutes of the meetings of the Committee to all members of the Governing Board.

7.2. The Committee shall provide an Annual Report for the Governing Board and the Principal as Accounting Officer in accordance with 6.1.

Approved by the Audit Committee: 4th October 2017

Presented for approval by the Governing Board: 31st October 2017

