

ANNUAL REPORT OF THE AUDIT COMMITTEE 2017/18

1. Purpose of Report

- 1.1 To advise the Governing Board on the adequacy and effectiveness of the college's systems of internal control and its arrangements for risk management and governance processes.

2. Background

- 2.1 This report relates to the Audit Committee's activities covering the period 1st August 2017 to 31st July 2018.
- 2.2 Audit Committee members during this period were Ann Harrison (Chair), Susan Loudon, Gill Edwards, Jennifer Cockram and Pauline Hunter (Co-opted Member).
- 2.3 The Clerk to the Committee for the period was the Clerk to the Corporation. The college's Internal Auditors were represented at all meetings of the committee.
- 2.4 The Audit Committee met four times during the year and all meetings were quorate.

3. Introduction

- 3.1 The Post-16 Audit Code of Practice focuses on mandatory audit requirements and puts the onus on colleges to manage risk by reviewing all controls and sources of assurance available for consideration by the Audit Committee. It also provides a framework for audit as follows:

Internal Audit – *use of an independent Internal Audit provider ceased to be a mandatory audit requirement in 2014 but the college has continued this practice* – to provide a regular and ongoing framework of audits of college systems, including financial practices and compliance with statutory and contractual requirements.

Regularity Audit – this is required for an audit opinion covering the regularity and propriety of the college's spending and other relevant activity. The audit is undertaken by the Financial Statements Auditors. The audit opinion is reported to the Education & Skills Funding Agency (ESFA) and the Governing Board (via the Audit Committee) through a tri-partite agreement.

Financial Statements Audit – this is required to provide the ESFA, the Governing Board and members of the public with assurances in relation to the annual financial statements.

4. Internal Audit Service (ICCA)

- 4.1 The key approaches adopted by the internal auditor are as follows:

- Considering the risks that have been identified by management associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing risk and control tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether controls have operated as expected during the period

4.2 Audit subject-matter is proposed through an Internal Audit Plan, which is considered by the Audit Committee and approved by the Governing Board. Seven areas were reviewed during the year as follows:

- Corporate Governance
- Curriculum Planning
- Higher Education Strategy
- Mock Funding Audit
- ILT Strategy
- Student Journey
- External Sub-Contracting Controls Assurance

The Internal Auditor reported that the design and effectiveness of controls had been found to provide 'substantial' overall assurance for all reported audits.

The Internal Audit Annual Report states:

"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 2017/18 as a result of our work undertaken."

4.4 In November 2018, ICCA's services for 2017/18 were reviewed against agreed performance criteria and the committee re-affirmed their appointment as internal auditors for 2018/19 and extended the engagement for 2019/20 and 2020/21.

5. Regularity Audit (Wylie Bisset)

5.1 Wylie Bisset undertook this audit during October and November 2018. The outcome was reported to the Audit Committee on 21st November 2018 and no issues of concern were identified.

The Regularity Audit Report states:

"We are pleased to record that there are no qualifications in our regularity audit opinion for the year ended 31 July 2018. 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".

6. Financial Statements Audit (Wylie Bisset)

6.1 Wylie Bisset was engaged to complete this audit. The engagement represents a tripartite agreement between Wylie Bisset, the ESFA and the college. The Main purpose of this activity is for the auditor 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 recommended practice and accounts directions; and
- The expenditure disbursed and income received during the year ended 31 July 2018 has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

6.2 The committee has received the Audit Findings Report setting out the results of the audit of the college's 2017/18 financial statements. No issues of concern were identified.

6.3 In November 2018, Wylie Bisset's services were reviewed against agreed performance criteria and the committee re-affirmed appointment for 2018/19 (covering the 2017/18 financial statements). A re-tendering exercise for Financial Statements Auditors is planned for early in 2018/19 and Wylie Bisset will be invited to be involved in the re-tender process.

6.4 The Financial Statements Auditor's report states:

"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 2018, 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 Generally 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".

6.5 On the basis of the audited Financial Statements, the Audit Committee considers that the college has adequate resources to continue its operations for the foreseeable future and can continue to adopt a 'going concern' basis in the presentation of these statements.

7. Monitoring of Risk Management

- 7.1 The Committee has monitored risk management throughout the year and considered termly risk registers.

8. Audit Implementation Tracker

- 8.1 The committee continued to monitor agreed audit actions via a termly Audit Implementation Tracker. This document tracks recommendations from all audit sources and provides confirmation to the Audit Committee when expected actions have been implemented.

10. Terms of Reference for the Committee

- 10.1 The Audit Committee operates under delegated authority from the Governing Board and the committee's responsibilities are detailed within its Terms of Reference, which are directly approved by the Board. These were reviewed by the Audit Committee on 21st November 2018 and proposed changes will be recommended to the Governing Board on 11th December 2018.

11. Fraud, Irregularity, Impropriety and Whistleblowing

- 11.1 The Audit Committee has delegated authority from the Governing Board to receive an annual report on incidents of fraud. No incidents of fraud were identified in 2017/18.
- 11.2 The Audit Committee ensures that a Register of Interests for all Governing Board members and senior managers is produced. This is maintained by the Clerk to the Governing board and is made available for inspection.
- 11.3 The Audit Committee receives reports on gifts and hospitality. An Anti-Bribery Policy is also included in the college's Financial Regulations.
- 11.4 The Audit Committee has delegated authority from the Governing Board to review the college's Whistleblowing Policy. This policy was reviewed by the committee in 2017/18.

12. Audit Committee Conclusions

- 12.1 The Audit Committee considers that the college's risk management, control and governance arrangements were further improved during 2016/17 and 2017/18, which is apparent from improved audit outcomes and the Internal Auditor's indications regarding the levels of assurance provided by the college's systems of control. The committee concludes that the Governing Board has an adequate and effective assurance framework and that the Governing Board has fulfilled its statutory and regulatory responsibilities. These governance, risk management and control processes support the effective and efficient use of resources, the solvency of the college and the safeguarding of its assets. On this basis, the committee is also able to conclude that this framework is adequate to permit the Chair of the Governing Board and 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 within the Financial Statements as required.

- 12.2 The Audit Committee is satisfied that the college Executive Team has provided appropriate reports, including sufficient detail to enable effective governance. The committee is also satisfied that the Executive Team has provided accurate and high-quality data to enable the Governing Board and its committees to effectively challenge performance.
- 12.3 The Audit Committee is satisfied that both the Internal Auditors (ICCA) and the Financial Statements Auditors (Wylie Bisset) have shown to be effective in their respective roles during 2017/18.
- 12.4 The Audit Committee is satisfied that the committee itself has operated in an effective manner and has met the requirements of its terms of reference and the college's Instrument & Articles of Government. The committee has also satisfied its procedural requirements under the Post-16 Audit Code of Practice and the Financial Memorandum.


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Ann Harrison, Chair of Audit Committee

11th December 2018

