## MEETING OF AUDIT COMMITTEE

**TIME/DATE 5.00pm, Wednesday 13th March 2019**

**VENUE Room PS108, Parson’s Walk, Wigan Campus**

## ATTENDANCE:

|  |  |
| --- | --- |
| Committee Members | Ann Harrison (Chair) |
|  | *Gill Edwards* |
|  | Susan Loudon |
|  |  |
| External Co-opted Member | Pauline Hunter |
|  |  |
| Clerk | Robert Smith |
| Finance Director | Steve Scott |
| Vice Principal, Corporate Services | Louise Brown |
| Assistant Principal IT, MIS and Subcontracting | Dave Harrison |
|  |  |
| Internal Auditor (ICCA) | Jonathan Creed |
|  |  |

|  |
| --- |
| ***Italics denotes absence* MINUTES** |

|  |  |  |
| --- | --- | --- |
| **Item** | **The meeting opened at 5.00pm and was quorate with at least 2 members present.** | |
| **1** | **A/13/03/01** | **CONSULTATION WITH AUDITORS**  Members and the Internal Auditor met for initial discussions in the absence of the Executive Team and the Clerk. |
| **2** | **A/13/03/02** | APOLOGIES An apology for absence was received from Gill Edwards. |
| **3** | **A/13/03/03** | DECLARATIONS OF INTEREST There were no declarations of interest. |
| **4** | **A/13/03/04** | MINUTES OF THE MEETING HELD ON 21st NOVEMBER 2018 The minutes were approved as an accurate record of the meeting and for signature by the Chair. |
| **5** | **A/13/03/05** | **MATTERS ARISING**  The Clerk advised that all matters on the committee’s Action Sheet were now complete. |
| **6** | **A/13/03/06** | **INTERNAL AUDIT PROGRESS REPORT**  **The Clerk advised the committee that the progress report did not include the main reports for the Maths & English Strategy audit and the Safeguarding audit as there had been a misunderstanding with the auditors where the college had expected to receive the full final report and the auditors had expected the college to refer to earlier communications to locate the additional parts of the report prior to forwarding to members. He circulated hard copies of the reports at the meeting. Members were disappointed that they had not been given the opportunity to read these reports in advance and asked that the Internal Auditor provide a summary of the report content and that the Clerk include the reports again on the agenda for the next meeting to give an opportunity for members to ask supplementary questions at that time, having read the reports in detail.**  **Action: Clerk**  **The Internal Auditor provided a summary of internal audit activity to date for the 2018/19 cycle of activity. It was noted that audits had been completed for the following areas of activity:**   * **Maths & English Strategy** * **Safeguarding** * **External Assurance of Sub-contracting Controls (see separate agenda item)**   **The auditor explained that the latter of these reports would be covered under the subsequent agenda item and outlined the findings for the remaining two audit reports. He explained that no systematic control weaknesses had been identified for either of these audits and that both provided ‘substantial’ assurance. He drew members’ attention to the summary of results within his report and explained that this was intended to provide an ‘at a glance’ indicator to the committee of the audit picture as it built up through the year.**  The Chair asked why the Sub-Contracting Controls External Review audit was reported on separately and was described only as ‘advisory’. The auditor responded that this report was not qualitative in nature and was a mandatory audit required by the Education & Skills Funding Agency (ESFA) in order to produce a certificate confirming the existence of a number of controls and systems in a college’s sub-contracting arrangements. It was therefore focused on the existence of controls rather than their effectiveness.  It was noted that the planned Payroll audit had been delayed following the departure of the college’s Payroll Manager just before the audit was due to take place. It was also noted that this delay had been agreed in consultation with the Internal Auditor and the Chair of the Audit Committee. It was acknowledged that, had the audit taken place at a time when an agency manager had just taken up their post, it was likely to lead to misleading outcomes as the temporary post-holder would not be immediately sure of the location and existence of audit evidence. The Internal Auditor commented that this may have meant that the audit findings would be inaccurate and that unnecessary corrective actions would be identified. Members commented that plans to move the audit to the 2019/20 cycle may be unnecessary and asked whether it could be brought forward to the current year. The Vice Principal, Corporate Service agreed that this would be possible towards the end of the year. It was agreed that the Vice Principal and the auditor would try to re-arrange the audit for June 2019.  **Action: Vice Principal, Corporate Services**  The auditor reported that two further audits had taken place in the previous week: HR Performance Management and Sub-Contracting Controls. It was noted that these audits were in the process of being finalised and were not due to be reported to the committee until the summer term. Members sought clarification about the second audit relating to sub-contracting and the auditor explained that the second audit was one directly commissioned by the college and would be qualitative in nature. It was noted that this would include a focus on the publication of required information on the college’s website, control arrangements for partners’ health and safety and safeguarding procedures and the effectiveness of due diligence arrangements.  Members discussed the college’s current sub-contracting arrangements in relation to apprenticeships activity and it was noted that this now only included one sub-contracting partner. It was also noted that this partner had received no further college learners since 2017 and related only to the completion of activity commenced before this time. The Assistant Principal reported that this partner had been expected to complete the final learners during the current academic year but had had its direct funding contract with the ESFA cancelled and that this had meant they were no longer able to complete the learners. Members were pleased to learn that these learners had now been brought in-house as direct college apprentices. It was noted that this now meant that the college had no remaining sub-contracted apprenticeship activity. The Co-opted Members asked whether the removal of all sub-contracted apprenticeship provision had been a strategic decision by the college. The Assistant Principal confirmed this to be the case and advised that it was as a direct result of decisions made by the Governing Board. |
| **7** | **A/13/03/07** | **SUB-CONTRACTING CONTROLS ASSURANCE AUDIT**  The Internal Auditor drew members’ attention to the report on the Sub-Contracting Controls External Review audit and provided a summary of the evidence provided. It was noted that no recommendations were required on this occasion in order to meet ESFA requirements. The Chair commented on a statement in the report referring to the lack of availability of some evidence in relation to sub-contractor monitoring activity and asked for confirmation that this had now been addressed. The auditor explained that this was a finding in the 2016 audit and that the follow-up audit activity in 2018 had concluded that this issue had been addressed and appropriate evidence was now available in all areas tested during the audit. |
| **8** | **A/13/03/08** | **AUDIT IMPLEMENTATION TRACKER**  The Clerk outlined outstanding audit actions and it was noted that four of the five actions within the report had now been fully implemented. He explained that the reason fully implemented actions remained on the tracker was in order to provide final confirmation to the committee that the actions had been addressed. It was noted that these actions would be removed from the report for the next committee meeting.  It was also noted that the remaining action had been partially implemented and related to the completion of governors’ Safeguarding and Prevent training. The Clerk explained that the training had been completed by all but one governor and that this would hopefully be resolved prior to the follow-up audit later in the year. |
| **9** | **A/13/03/09** | **RISK REGISTER**  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. He reported that seven risks had been reduced in level following the latest review and that one risk had been increased. It was noted that it was common for overall risk levels to decrease as the year progressed and as mitigating actions had taken effect. Members discussed the changes in risk assessment and acknowledged that the single increased risk related to the failure of the college’s remaining apprenticeship sub-contractor to complete its apprenticeship activity, as discussed earlier in the meeting.  The Co-opted Member commented on a note in the risk register reporting that safeguarding concerns had been identified with one non-apprenticeship sub-contracting partner and asked whether it was appropriate that the risk level had not been increased in these circumstances. The Finance Director explained that the risk related to the potential failure to identify such concerns at partner locations, rather than the risk that safeguarding concerns may arise. It was noted that the college’s control systems led to the issue being identified within two days of the concern arising, which was indicative of those controls operating effectively. The Assistant Principal commented that regular college audits of partner locations focusing on health and safety and safeguarding were designed to identify increased risks of concerns arising and any potential failures in control processes.  The Chair sought clarification about the meaning of ‘shadow’ allocation referred to under a risk associated with the devolution of the Adult Education Budget (AEB) to the Greater Manchester Combined Authority (GMCA). The Assistant Principal advised that this referred to the level of funding previously allocated by the ESFA in relation to those learners living within the Greater Manchester area but now subject to GMCA allocations. Members were pleased to learn that, following discussions between the GMCA and the Merseyside Combined Authority, the college had been notified that its AEB budget would remain unchanged for the following two years. |
| **10** | **A/13/03/10** | **ANNUAL ANTI-FRAUD REPORT**  The Director of Finance reported that the college had identified no instances of fraud since last reported and explained that controls were in place to prevent fraud. He also explained that his report now included declarations of gifts and hospitality received by college managers and staff. It was noted that where items or services over the value of £30 were received these would be declared to the committee. It was noted that a number of managers had received gifts of tea sets during a visit by Chinese educational partners and that these had been declared as the value was unknown.  **The Internal Auditor left the meeting at 6.00pm** |
| **11** | **A/13/03/11** | **TENDER FOR EXTERNAL AUDIT SERVICES**  The Clerk outlined the recent tender process for external audit services. He advised that this had been carried out through the Crescent Purchasing Framework, a recognised procurement approach across the further education sector. It was noted that the tender criteria were based 50% on price and 50% on quality, the latter being based on seven sub-criteria. The Clerk advised that five companies had submitted a tender bid and that these had been scored on a ‘desk top’ basis, with two companies shortlisted to attend a presentation and interview. He also advised that this shortlisting process had been carried out with consultation with the Chair of the Audit Committee.  Members discussed the presentations carried out earlier in the week and the Clerk provided a summary of the committee panel’s scoring in relation to the quality criteria. It was noted that Tender A had scored very highly on quality and that members had been impressed with this presentation. However, it was also noted that Tender B had scored reasonably well under the quality criteria. The Clerk drew members’ attention to the summary of quality scores by the committee panel and the combination of scores based on both price and quality. It was noted that the 24% price differential between the two bids had the effect of scoring Tender B as the highest overall score.  Members discussed the process and the scoring and agreed that it was important that the tender process be followed appropriately and that this led to a conclusion that Tender B should be recommended to the Board for appointment under the procurement exercise. Tender B related to the current external auditors, Wylie & Bisset.  **RESOLVED:**  That the Board be recommended to approve the appointment of Wylie & Bisset as the college’s external auditor from 1st August 2019 for a period of three years with the option for the college to twice extend this by one year. |
| **12** | **A/13/03/12** | **ANY OTHER BUSINESS**  There was no further business. |
| **13** |  | **DATE AND TIME OF NEXT MEETING** – 5pm Wednesday 12th June 2019 |
|  |  | **The meeting closed at 6.35pm** |