

## MEETING OF THE AUDIT COMMITTEE

5.00PM ON WEDNESDAY 17 NOVEMBER 2021

### ON MS TEAMS

#### PRESENT:

Kath Causey (Chair)	Governor
David McDonald	Governor
Pauline Hunter	Co-opted Governor

#### IN ATTENDANCE:

Joanne Platt	Clerk to the Governing Body
Steve Scott	Finance Director
Louise Brown	VP Corporate Services
Dave Harrison	Assistant Principal IT, MIS and Subcontracting
Jonathan Creed	ICCA
Scott Gillon	Wylie Bisset

The meeting was quorate.

Item	Minute No.	Minutes
<b>CONSULTATION WITH AUDITORS:</b> In accordance with the Committee's Terms of Reference, the Committee had a private discussion with the auditors.		
<i>Steve Scott, Louise Brown and Dave Harrison joined the meeting at 5.05pm.</i>		
<b>1</b>	RES 21-11-01	<b>APOLOGIES</b> There were no apologies for absence.
<b>2</b>	RES 21-11-02	<b>DECLARATIONS OF INTERESTS</b> There were no declarations of interests

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3	RES 21-11-03	<p><b>MINUTES OF THE MEETING HELD ON 9 JUNE 2021</b></p> <p>The minutes of the meeting held on 9 June 2021 were approved as a correct record for signature by the Chair.</p>
4	RES 21-11-04	<p><b>MATTERS ARISING:</b></p> <p>There were no actions arising from previous meetings.</p>
5	RES 21-11-05	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>The Committee considered the Internal Audit Progress report, noting that to date only one of the planned audits had been completed, in accordance with the Internal Audit Plan for 2021-22, with planning underway for audits due to be undertaken over the coming months. It was noted that the outcome of the audit completed to date will be reported to the Committee under Item 7 below.</p> <p>The Committee noted the report.</p>
6	RES 21-11-06	<p><b>INTERNAL AUDIT ANNUAL REPORT</b></p> <p>The Committee considered the Annual Report of the College's Internal Auditors, which outlined the internal audit work carried out for the year ending 31 July 2021. The report provides an opinion on the overall adequacy and effectiveness of the College's framework of governance, risk management and systems of internal control, achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee.</p> <p>The Committee noted that, based on the work undertaken during the year and the implementation by management of previous internal audit recommendations, the Auditors have provided the Audit Committee and the Corporation with 'Reasonable Assurance' that Wigan and Leigh College's governance and risk management arrangements were operating adequately and effectively.</p>

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		<p>However, it was noted that due to restrictions arising from the Pandemic, insufficient work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of the College's systems of internal control.</p> <p>Despite this, the Auditors' opinion is that the College has adequate and effective governance and risk management arrangements in place to manage the achievement of its objectives and to secure economy, efficiency and effectiveness and no significant control issues were identified in 2020-21 as a result of the work undertaken.</p> <p>The Committee noted that the report provides a reasonable level of assurance, which is the highest assurance level possible, given that audit work is based on a sample only and does not cover every system in place at the College.</p> <p>It was also noted that the Internal Auditor has not undertaken any additional services for the College in 2020-21 so there were no conflicts of interests to note.</p> <p><b>RESOLVED:</b> to recommend the Internal Audit Report for 2020-21 to the Governing Board for approval at its meeting on 7 December 2021.</p>
7	RES 21-11-07	<p><b>INTERNAL AUDIT REPORTS</b></p> <p><b>7.1: FINANCIAL PLANNING AND BUDGETARY CONTROL</b></p> <p>The Committee considered a report on the outcome of the Financial Planning and Budgetary Control Audit, carried out in line with the Internal Audit Plan 2021-22, which included a high-level review of the College's systems, processes and controls in respect of financial planning, budgetary control and performance reporting. It was noted that the review considered the financial planning arrangements adopted by the College, including the assumptions and sensitivities underpinning the current year budget and the medium-term financial plan.</p>

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		<p>The effectiveness and transparency of the reporting undertaken by the management team to the Corporation, leading to timely corrective action, where necessary had also been reviewed.</p> <p>As a result of the work carried out, the Committee noted that the auditors have provided a Substantial Assurance rating, stating in their report that the areas of the control environment tested during the audit are designed and operating effectively with no significant weaknesses.</p> <p>There were no recommended actions although one advisory recommendation was made in relation to the reporting on sensitivity analysis carried out in preparing the Budget for 2021-22 and the Financial Plan for 2022-23. In relation to this, it was confirmed that the Finance Team do more than is actually required in relation to sensitivity analysis, but do not include a summary of this in their reports.</p> <p>In response to a question from a Governor, it was confirmed that sensitivity analysis will in future be included in reports to the Resources Committee and the Governing Board.</p> <p>The Committee noted the report.</p>
8	RES 21-11-08	<p><b>FINANCIAL STATEMENTS AUDITOR'S REPORT</b></p> <p>The Committee considered the Financial Statements Auditor's Report for 2020-21, noting that the Auditor anticipates issuing an unmodified audit opinion subject to authorisation of the financial statements by the Governing Board and confirmation of no funding clawback in relation to ILR14 from the ESFA.</p> <p>It was noted that there are no issues to report in relation to the regularity opinion and the Auditor also anticipates issuing an unqualified opinion on the accounts of Wigan and Leigh College for the year ended 31 July 2021.</p>

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		<p>The Committee noted the Auditor's opinion that the College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. It also noted that the auditor is satisfied, following review of the forecasts and financial projections, that the Board of Governor's assessment of the going concern basis of preparation is appropriate.</p> <p>It was also confirmed that following an overall review of the governance arrangements and process of internal control in place at the College, the Auditor is of the opinion that the College has strong systems in place to comply with governance requirements.</p> <p>The Auditor has made no recommendations in relation to the year ended 31 July 2021. The Committee noted however that there was one recommendation carried forward from 2020, which has now been resolved.</p> <p>In response to a question from a Governor, it was confirmed that there has not been an aggregation in the account of the revaluation net gain with depreciation, which had been charged to income and expenditure but it was noted that the net effect was nevertheless positive at £11.5k.</p> <p>The Chair was pleased to see such a positive report and thanked the Auditors and the Finance Team for all the work they had done to prepare the accounts and for the audit work.</p> <p><b>RESOLVED:</b> to recommend the report to the governing Board for approval at its meeting on 7 December 2021</p>
9	RES 21-11-09	<p><b>REGULARITY AUDIT QUESTIONNAIRE</b></p> <p>The Committee considered the Regularity Audit Questionnaire which had been completed and submitted to the College's Financial Statements Auditors to assist in their work in auditing the Financial Statements for 2020-21.</p>

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		<p>It was noted that the Financial Statements Auditors had found no issues of concern in relation to this and were satisfied that the evidence provided was accurate.</p> <p><b>RESOLVED:</b> to recommend the Regularity Audit Questionnaire to the Governing Board for approval at its meeting on 7 December 2021.</p>
10	RES 21-11-10	<p><b>ANNUAL REPORT AND ACCOUNTS 2020-21</b></p> <p>The Committee considered the draft Annual Report and Financial Statements for the year ending 31 July 2021, noting that the report of the external auditors considered under Item 8 above concluded that the audit opinions, for both financial statements and regularity, are anticipated to be unqualified. The report of the auditors also includes drafts of the letters of representation for external audit and regularity that the Board is required to sign alongside the financial statements.</p> <p>The Committee noted the reconciliation between the July 2021 Management Accounts (as presented to the Governing Board in October 2021), and the Financial Statements for 2020-21, which showed movement in surplus between the two sets of accounts relating to FRS102 pension charges which are split between pay (current service costs) and non-pay (interest) lines.</p> <p>It was noted that the FRS102 pension adjustment is a non-cash entry and is not taken into account as part of the ESFA's Financial Health assessment or as part of the calculation of the College's banking covenants.</p> <p>In relation to the amortisation of the revaluation reserve, it was noted that the net impact of the changes has resulted in no differences in the forecast surplus reported to the Board in October 2021. There is no impact on cash balances and these results are not subject to any additional audit adjustments. The total operating deficit for the year was £618k.</p>

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		<p>The College's Financial Health will continue to be 'Outstanding' based on these results for 2020-21 and the College will remain compliant with all its banking covenants.</p> <p>The Committee noted that £4.4m of capital had been spent on upgrades to the estate during the year and Governors noted the positive impact the changes have had on staff and students.</p> <p>Year-end cash balances were £10.1m, although it was noted that some of this may need to be returned to funders and there had been a year on year improvement on cash days which were 120 days at the end of 2020-21.</p> <p>The Committee noted that the financial statements require approval by the Governing Board at the meeting on 7 December 2021 prior to submission to the ESFA by 31 December 2021.</p> <p>In response to a question from a Governor, it was noted that the name of the Clerk on the first page of the Annual Report should be updated to reflect the name of the Clerk in place when the accounts are signed.</p> <p>The Chair commended and expressed her thanks to the team on doing an excellent job during very difficult times.</p> <p><b>RESOLVED:</b> That the Committee recommends approval of the Financial Statements for 2020-21 to the Governing Board at its meeting on 7 December 2021</p> <p><b>RESOLVED:</b> That the Financial Statements Auditor's Letters of Representation be recommended to the Governing Board for approval at its meeting on 7 December 2021</p> <p><b>RESOLVED:</b> that subject to Governing Body approval, signed documents and management letter be submitted to ESFA by 31 December 2021</p> <p><b>RESOLVED:</b> that subject to Governing Body approval, signed Financial Statements for 2020-21 to be published on the College website by 31 January 2022.</p>

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11	RES 21-11-11	<p><b>AUDIT IMPLEMENTATION TRACKER</b></p> <p>The Committee considered a report which provided an update in relation to the implementation of audit recommendations.</p> <p>It was noted that there was only one recommendation not yet implemented (due by December 2021) and that this is slightly behind schedule with the new system scheduled 'go live' date being 1 February 2022.</p> <p>In response to a question from a Governor, it was confirmed that the completion date is expected to be achieved and in this regard, the Committee noted that contracts had been signed and a project plan for system implementation is in place, with a dedicated project manager leading the project.</p> <p>The Committee noted the report.</p>
<p style="text-align: right;"><i>Scott Gillon left the meeting at 6.00pm</i></p>		
12	RES 21-11-12	<p><b>TERMLY RISK MANAGEMENT REPORT</b></p> <p>The Committee considered the risk plan for 2021-22 which has been updated to reflect the current year's strategic outlook, noting that the plan is reviewed regularly by the Executive Team and an update provided to the Committee each term on the risks for the current year.</p> <p>It was noted that the current risk plan shows no new risks and that none have been removed. There are increased risk scores for eight risks, (risk numbers 3, 4, 5, 10, 11, 12, 13 and 14), five risk scores remain the same (risk numbers 2, 7, 8, 15 and 16) and three risks have a reduced risk score (risk numbers 1, 6 and 9).</p>



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		<p>The Committee noted that risks score were typically higher at the start of each year, and then tended to reduce with mitigating actions. It is not therefore unusual to see higher risk scores than at the end of the previous year at this point in time in the year. However, the risks relating to cyber security and GDPR are of particular concern within the sector generally and it was noted that since the full return to on site working at the start of the Autumn Term, a number of GDPR issues had been identified.</p> <p>The Committee was advised that additional cyber security and GDPR training had been provided for both staff and Governors since the start of the term and a simulated phishing campaign was planned, underpinned by additional training as required.</p> <p>The Committee was pleased to see that measures are in place to mitigate these two high risks.</p> <p>In response to a question from a Governor, it was confirmed that the impact score for cyber security was correctly rated as being the same as for GDPR, as a failure to comply with GDPR can result in significant fines for the College in addition to reputational damage.</p> <p>The Committee noted that there has been some reportable data breaches this year compared to none the previous year, which are thought to be attributable to staff and students returning to site and needing to re-familiarise themselves with the protocols in relation to working securely in an open office environment. It is anticipated that the additional training provided over the past few weeks will help to address this.</p> <p>It was agreed that the increased risk scores shown in the termly risk register will be brought to the Governing Board's attention when the Annual Risk Management Report is considered at its 7 December meeting. It was also agreed that Governors would be reminded at that meeting of the importance of using their college email addresses for communicating securely with the College.</p> <p>The Committee noted the report.</p>

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13	RES 21-11-13	<p><b>ANNUAL RISK MANAGEMENT REPORT</b></p> <p>The Committee considered the annual risk management report for 2020-21, noting that a number of risks had been reduced throughout the year.</p> <p><b>RESOLVED:</b> that the Annual Risk Management Report for 2020-21 be recommended to the Governing Board for approval at its meeting on 7 December 2021.</p>
14	RES 21-11-14	<p><b>AUDIT COMMITTEE ANNUAL REPORT</b></p> <p>The Audit Committee considered its Annual Report for 2020-21, which outlines its key activities throughout the year and provides assurance in relation to the monitoring of risk and systems of control at the College.</p> <p>It was noted that the report complies with the requirements of the Post-16 Audit Code of Practice and that once approved by the Governing Board, will be submitted to the Education &amp; Skills Funding Agency by 31 December 2021. and published on the College's website before 31 January 2022.</p> <p><b>RESOLVED:</b> To recommend the Audit Committee's Annual Report for 2020-21 to the Board for approval at its meeting on 7 December 2021.</p>
15	RES 21-11-15	<p><b>DATA ASSURANCE REPORT</b></p> <p>The Committee considered a report setting out key assurances in relation to the management of data, which provides assurance to the Committee that effective arrangements are in place for both the management and the quality of data.</p>

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		<p>It was noted that the College works in accordance with best practice across the sector to ensure data quality and that all data is retained in accordance with the College's data retention schedule.</p> <p>The Committee noted the report.</p>
16	RES 21-11-16	<p><b>COMMITTEE TERMS OF REFERENCE</b></p> <p>The Committee considered its Terms of Reference which have been reviewed alongside all other Committee Terms of Reference and brought up to date with the latest Post-16 Audit Code of Practice. It was noted that for ease of reference, the policies relevant to the Committee's Terms of Reference have been set out in a table at the end, which is aligned to a revised Scheme of Delegation also to be submitted to the Governing Board for approval in December 2021.</p> <p><b>RESOLVED:</b> That the draft Terms of Reference for the Committee are recommended to the Governing Board for approval at its meeting on 7 December 2021.</p>
17	RES 21-11-17	<p><b>ANY OTHER BUSINESS:</b></p> <p>There were no items of other business. The Chair thanked the Finance Director and his team for all the work involved in the production of the accounts and also thanked other officers for their reports and input into the meeting.</p>
18	RES 21-11-18	<p><b>DATE OF NEXT MEETING:</b> Wednesday 2 March 2022 at 5pm</p>
		<b>The meeting closed at 6.28pm</b>