

**MEETING OF**                **AUDIT COMMITTEE**

**TIME/DATE**            **5.00pm, Wednesday 3<sup>rd</sup> March 2021**

**VENUE**                 **VIRTUAL: MICROSOFT TEAMS**

**ATTENDANCE:**

Committee Members	Kath Causey (Chair) Susan Loudon David McDonald <i>Gill Edwards - Sabbatical</i>
External Co-opted Member	Pauline Hunter
Clerk Finance Director Vice Principal, Corporate Services Assistant Principal IT, MIS and Subcontracting	Robert Smith Steve Scott Louise Brown 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/21/03/01	<b>CONSULTATION WITH AUDITORS</b>  Members and the Internal Auditor met for initial discussions in the absence of the Executive Team and the Clerk.
2	A/21/03/02	<b>APOLOGIES</b>  It was noted that Gill Edwards had agreed with the Chair of the Governing Board to take a sabbatical break for around six months.
3	A/21/03/03	<b>DECLARATIONS OF INTEREST</b>  There were no declarations of interest.
4	A/21/03/04	<b>MINUTES OF THE MEETING HELD ON 18<sup>th</sup> NOVEMBER 2020</b>  The minutes were approved as an accurate record of the meeting and for signature by the Chair.
5	A/21/03/05	<b>MATTERS ARISING</b>  The Clerk advised that one of the matters on the committee's Action Sheet was now complete and the other matter would be addressed under the current agenda.
6	A/21/03/06	<b>FINANCIAL STATEMENTS AMENDMENTS</b>  The Finance Director reminded members that the Governing Board had agreed to amend the 2019/20 Financial Statements to reflect any claw-back from an ESFA Funding Audit carried out at the end of the financial year, provided the level of claw-back would not

		<p>impact significantly on the reporting position. It was noted that the audit had resulted in a relatively moderate level of claw-back and that this could be reflected in the 2019/20 accounts without presenting any significant issues. The Finance Director explained that the annual surplus would drop to £424K as a result of the change. He also explained that, due to reporting deadlines, the Chair of the Governing Board had provisionally approved the updated Financial Statements and these had been re-audited, signed and submitted to the ESFA in line with required reporting deadlines.</p> <p>The Chair drew members' attention to a report from the Assistant Principal summarising the ESFA audit findings and asked for further explanation of how the claw-back value was determined, particularly in relation to whether it was an extrapolation of a sample error rate or the sum of specifically identified funding claim errors. The Assistant Principal confirmed it was the latter. He added that the ESFA had been satisfied that the identified errors were isolated rather than systematic, and would therefore not require extrapolation into parts of the funding claim not included in the audit sample.</p> <p>The Co-opted Member noted that the Financial Statements had not been updated to include revised valuations of land and buildings and asked for more information on the outcome of the valuation. The Finance Director explained that the value of buildings had increased to reflect increases in re-build costs and that the value of land had decreased to reflect reductions in potential sale values. He confirmed that the overall impact was a moderate increase in the combined value. He also confirmed that the reason that the Financial Statements did not reflect the new values was that the valuation report had been received after the Financial Statements reporting deadline. It was noted that the changes in valuation for land and buildings would be reflected in the 2020/21 Financial Statements and that the re-valuation would be reported separately to the Resources Committee.</p> <p><b>RESOLVED:</b> That the Governing Board be recommended to retrospectively approve the revised Financial Statements for 2019/20.</p>
7	A/21/03/07	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p><u>External Assurance of Sub-contracting Controls</u></p> <p>The Internal Auditor provided a summary of internal audit activity to date for the 2020/21 cycle of activity and it was noted that the only audit completed to date was the External Assurance of Sub-contracting Controls.</p> <p>The auditor explained that this audit was a mandatory requirement of the ESFA for colleges with subcontracted provision over £100K in value. He confirmed that the college subcontracted provision amounted to £785K. It was noted that the primary aim of the audit was to review procurement and contracting arrangements and that the audit did not include any qualitative elements. It was also noted that the key focus was to check whether adequate controls were in place, such as contract and due diligence procedures. The auditor provided a summary of audit findings and confirmed that the college was fully compliant, with the exception of the inclusion in contracts of a three-month minimum notice period to ensure there was adequate time to transfer learners to another provider in the event that arrangements with the original provider were terminated. He explained that this was a new requirements added since the previous year. The Assistant Principal confirmed that an addendum to relevant contracts had been issued and the audit recommendation was now shown as complete in the Audit Implementation Tracker.</p> <p>The Co-opted Member asked whether this three-month notice period was one-way or two-way. The auditor confirmed it was the former, only relating to the notice to be given by the college to the subcontractor and not the other way around. The Chair asked whether the requirement related only to future contracts. The auditor confirmed this to be the case, with the provision taking effect for contracts dated from 1<sup>st</sup> August 2020.</p>

8	A/21/03/08	<p><b>COVID-19 MANAGEMENT ARRANGEMENTS: AUDIT SCOPE</b></p> <p>The Internal Auditor reminded members that he had been asked to develop terms of reference for an audit of Covid-19 management arrangements to cover key adaptations to accommodate restrictions during the recent pandemic. He explained that he had reviewed the college's risk register and held a meeting with the Clerk and members of the Executive Team to identify those areas most impacted by restrictions and where alternative arrangements had been put in place.</p> <p>The auditor outlined the suggested key areas of activity to be covered by the audit, which were as follows:</p> <ul style="list-style-type: none"> <li>• Governance Arrangements;</li> <li>• Financial Systems and Performance Management;</li> <li>• Estates Management, including Health &amp; Safety;</li> <li>• Student Attendance and Retention;</li> <li>• Staff Wellbeing and Engagement; and,</li> <li>• Risk Management.</li> </ul> <p>He explained that this was intended to be a high level audit, which would check whether appropriate changes had been put in place to adapt to Covid-19 restrictions, rather than carrying out sample testing of whether those adapted processes had been reliably applied.</p> <p>The Chair commented that the proposed audit areas appeared sensible and reflected those most impacted by the pandemic and associated lockdowns. The Co-opted Member asked whether an additional item could be included which would review the ways in which safeguarding, pastoral care and student welfare arrangements had been adapted to accommodate the fact that most students would no longer be on site. The auditor agreed to amend the scope to include this and to send the revised scope to the Clerk, the Vice Principal and the Finance Director for approval. Members agreed that, subject to this revision, they were satisfied that the content of the audit scope was appropriate.</p> <p style="text-align: right;"><b>Action: Auditor</b></p>
9	A/21/03/09	<p><b>AUDIT IMPLEMENTATION TRACKER</b></p> <p>The Clerk outlined outstanding audit actions and it was noted that eight of the nine actions within the report had now been fully implemented. He explained that implemented actions remained on the tracker in order to provide final confirmation to the committee that the actions had been addressed and it was noted that these actions would be removed from the report for the next committee meeting.</p> <p>It was also noted that the remaining action had not yet been completed, although significant progress had been made. This action related to the implementation of new software systems to improve efficiency within the Finance Team and to automate labour intensive processes. The Clerk advised that a preferred supplier had now been identified but further work would be required to finalise the college's exact requirements. He also advised that references would be sought as part of due diligence within the procurement process. It was agreed that the implementation date should be extended to December 2021 to enable the college to complete its procurement after returning to college when Covid-19 restrictions had been lifted.</p> <p>Members asked whether the functionality of the proposed system had been reviewed to</p>

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		<p>take into account possible changes in working methods after the Covid-19 pandemic. The Finance Director confirmed that the demonstrations showed a clear focus on remote use and operation on mobile devices and that he was satisfied that the preferred supplier had taken sufficient account of increased flexibility in working arrangements. The Co-opted Member also asked whether the proposed system was proprietary or being developed specifically for the college. The Finance Director confirmed that the former was the case and expressed a preference for off-the-shelf systems, particularly in relation to how easily they could be updated or 'patch-fixed' remotely.</p>
<b>10</b>	<b>A/21/03/10</b>	<p><b>RISK REGISTER</b></p> <p>The Finance Director reminded members that the Risk Register had undergone a substantial review at the start of the Covid-19 pandemic, with most risks increased in intensity. It was noted that this had included seven serious risks. It was also noted that risk intensity had reduced significantly in the autumn term as a result of many potential issues not materialising or risks reducing due to mitigation actions being implemented. The Finance Director advised that there had been little change in the overall risk position since then, and that no changes had needed to be applied to the register.</p> <p>It was noted that the Covid-19 audit discussed under an earlier agenda item might lead to further changes in the risk position, depending on the audit findings.</p>
<b>11</b>	<b>A/21/03/11</b>	<p><b>ANNUAL ANTI-FRAUD REPORT</b></p> <p>The Finance Director reported that the college had identified no instances of fraud during 2019/20 and explained that controls were in place to reduce the risk of fraud. He also explained that his report would normally include declarations of gifts and hospitality received by college managers and staff and valued at over £30. However, it was noted that no gifts or hospitality above this value had been declared during 2019/20.</p>
<b>12</b>	<b>A/21/03/12</b>	<p><b>WHISTLEBLOWING POLICY &amp; PROCEDURE</b></p> <p>The Vice Principal advised that the Whistleblowing Policy &amp; Procedure had been reviewed under periodic review requirements within the Scheme of Delegation. She advised that no substantial changes were recommended, although minor formatting changes had been made, as well the updating of some job titles.</p> <p><b>RESOLVED:</b> That the Governing Board be recommended to approve the revised Whistleblowing Policy &amp; Procedure.</p>
<b>13</b>	<b>A/21/03/13</b>	<p><b>DATA PROTECTION POLICY</b></p> <p>The Assistant Principal advised that the Data Protection Policy had been reviewed and updated to reflect changes in legislation and had been further updated to include a section on data breaches to effect a recommendation made by the Internal Auditor.</p> <p><b>RESOLVED:</b> That the revised Data Protection Policy be approved.</p> <p><b>The Internal Auditor left the meeting at 6.05pm</b></p>
<b>14</b>	<b>A/21/03/14</b>	<p><b>INTERNAL AUDIT SERVICES: EXTENSION</b></p> <p>The Clerk advised that he had discussed with the Chair an option of extending the contract with ICCA for internal audit services by a further year. He explained that this was</p>

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		<p>because carrying out a selection process, including inviting companies to make presentations to committee members, would not be practical during the Covid-19 pandemic. It was noted that the Chair had agreed that an extension would be sensible in these circumstances, although approval by the Governing Board would be required. It was also noted that ICCA had agreed to maintain the same fee level as under the current agreement. The Clerk commented that this would effectively mean that the fee level would have been frozen for three years.</p> <p><b>RESOLVED:</b> That the Governing Board be recommended to extend the current ICCA contract by a further year.</p>
15	A/21/03/15	<p><b>ANY OTHER BUSINESS</b></p> <p>There was no further business.</p>
		<p><b>DATE AND TIME OF NEXT MEETING</b> – 5pm Wednesday 9<sup>th</sup> June 2021</p>
		<p><b>The meeting closed at 6.10pm</b></p>