



## UNCONFIRMED MINUTES

### THE CORPORATION OF WALTHAM FOREST COLLEGE

#### AUDIT COMMITTEE

#### MINUTES OF THE MEETING HELD ON 21 NOVEMBER 2017

#### MEMBERS OF THE COMMITTEE

Youness Abidou (Vice Chair)	present	Member
Renatta Nzomono	present	Member
Terry Wheeler	present	Member
Graham Woolnough (Chair)	present	Member

#### CLERK TO THE COMMITTEE

Val Bartlett Clerk to the Corporation

#### IN ATTENDANCE

Toby Wilson	present	Grant Thornton
Paul Goddard	present	Scrutton Bland
Penny Wycherley	present	Principal & Chief Executive
Peter Doble	present	Director of Finance
Sandra Small	present	Head of Finance
Gladys Gafrey-Umeh	present	College Accountant

#### **1330 APPOINTMENT OF AUDIT COMMITTEE CHAIR AND VICE CHAIR 2017-18**

Terry Wheeler proposed Graham Woolnough as Chair of the Audit Committee and Youness Abidou seconded this.

Graham Woolnough proposed Youness Abidou as Vice Chair of the Audit Committee and Terry Wheeler seconded this.

These appointments are to be reported to the Corporation at its meeting to be held on 12 December 2017.

#### **1331 APOLOGIES FOR ABSENCE**

There were no apologies.

#### **1332 ATTENDANCE OF THE PRINCIPAL, DIRECTOR OF FINANCE AND FINANCE TEAM MEMBERS AT THE MEETING OF THE AUDIT COMMITTEE**

The Committee agreed that the Principal, Director of Finance, Head of Finance and the College Accountant should be invited to attend the meeting.

#### **1333 DECLARATION OF INTERESTS**

As recorded in the Register of Interests, Cllr Terry Wheeler reminded the Committee of his interest in the Local Government Pension Scheme.

There were no other issues included on the agenda for the meeting in which they had a personal interest relative to the College.

**1334 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 6 JULY 2017**

The minutes of the Committee meeting held on 6 July 2017 were approved by the Audit Committee and signed by the Chair as a correct record.

**1335 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 6 JULY 2017**

There were no matters arising from the Minutes of the meeting held on 6 July 2017.

**1336 CALENDAR OF MEETINGS – 2017/18**

Members noted the dates for the Audit Committee meetings in 2017-18:

- Tuesday 20 March 2018
- Thursday 21 June 2018

**1337 AUDIT COMMITTEE TERMS OF REFERENCE – ANNUAL REVIEW**

The Audit Committee agreed that, as a result of the revised Post 16 Audit Code of Practice the following be added to point 2:12 of the Terms of Reference:

*To produce an annual report for the Corporation on the committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets*

The Audit Committee noted that there were no other amendments required and agreed to recommend its Terms of Reference 2017-18 for approval to the Corporation for immediate application.

**1338 INTERNAL AUDIT ANNUAL REPORT 2016-17**

The Audit Committee was asked to receive and consider the Internal Audit Annual Report 2016-17.

The Internal Auditors informed Members that, in their opinion, for the year ended 31 July 2017, the College;

- Has adequate and effective risk management processes;
- Has adequate and effective governance processes;
- Has adequate and effective control processes; and
- Has adequate and effective efficiency, effectiveness and economy processes.

These opinions will contribute towards the assurances used by the Audit Committee in its Annual report to the Corporation.

Reference was also made to the key observations within this annual report including the Area Review process and merger negotiations, which did not go ahead as originally, planned and that the College was able to successfully maintain a robust system of internal control throughout this process. In addition, it was recognised that a suitable learner recruitment framework has now been established.

The Committee noted the summary of findings and that there was one 'strong', two 'significant' and two 'reasonable' assurance levels assigned.

The audit benchmarking data (using their F.E. client base) was noted alongside the very positive narrative within the annual report. In response to a Governors' query regarding the quality of the assessment and benchmarking data, it was noted that the auditors themselves have recently been subject to a 5-year external quality assessment requirement, which had a positive outcome.

The Internal Auditors thanked the Management for their continued support and availability during their audit work, which was much appreciated.

The Audit Committee agreed to receive the Internal Audit Annual Report for 2016-17 and that it is to be presented to the Corporation at its meeting to be held on 12 December 2017.

### **1339 RISK MANAGEMENT REPORT**

The Audit Committee was asked to receive and consider the Risk Management Report.

The Committee was reminded that a detailed commentary regarding the College's risk management and internal control systems are set out in the Statement of Corporate Governance and Internal Control, which is included within the annual audited Financial Statements.

The Principal informed the Committee that the College has reviewed its Risk Register and revised the risks and scoring to more precisely match the College's current position.

In October and November, the Risk Management Board undertook a thorough review of the Risk Register, restructured it into overarching categories, and revised the risk mitigation to link to the current processes and position.

The five categories of risk are financial, quality, legal, strategic, safety and security.

The residual risk with the highest scores have been moved to the top of the Risk Register. The most critical elements in the management of risk are the College's Management Accounts and its Quality Improvement Plan.

The Committee then discussed the 'risk appetite' of the Board particularly within the context of finance and sustainability and acknowledged that discussion on risk and the College's Risk Management Champion (currently the Principal) will need to be held with the new Principal.

*17:02 TWilson joined the meeting*

Attention then focussed on three strategic risks for which the Corporation is accountable.

- The extent to which provision for all learners can be maintained over time and leaders and governors take action to ensure this
- Failure to develop an ambitious Strategic Plan which meets national policy and local needs
- Failure to oversee the College's Strategic Direction

The Committee agreed that the Chair of Audit and Clerk discuss this with the Chair to recommend that a strategy group meet to consider these risks in further detail.

The Chair of the Audit Committee is also to discuss with the Chair of the Corporation potential training for Governors on risk appetite.

At its meeting on 12 December 2017 the Corporation will also receive, consider and comment on the Report on Risk Management and the Risk Register.

The Audit Committee received and noted the Report on Risk Management and the updated Risk Register.

### **1340 FINANCIAL STATEMENTS 2016-17**

The Audit Committee was asked to receive and consider the draft Financial Statements for 2016-17 and the Audit Findings Report as prepared by the Financial Statements Auditors, Grant Thornton. The final versions of these documents are to be submitted to the Corporation for consideration and subsequent approval at the Corporation meeting to be held on 12 December 2017.

At the corresponding time last year, the main issue raised by the external auditors was with regard to the College's going concern status, particularly in light of the then projected merger with Barnet & Southgate College. The on-going improved performance of the College over the last 12 months in terms of both financial health and student success has reduced this concern.

It was noted that Page 7 of the financial statements sets out the reasons why the College considers that it remains a going concern for the forthcoming 12-month period from the signing of the accounts to 31 December 2018 and beyond.

The End of Year financial position for 2016/17 is as follows in summary terms and information that is more detailed is to be found in the Financial Statements:

Total Income	£19,854,000
Total Expenditure	£19,743,000
Operating surplus	£111,000
End of year adjustments	
- Local Govt pension scheme	(£476,000)
Surplus/(deficit) per Financial Statements	(£365,000)

The draft out-turn mean that the College's financial health at 31 July 2017 is "good".

The Financial Statements Auditors then presented the Audit Findings Report and Governors' attention was drawn in particular to the points as detailed below.

The work of the auditors is substantially complete and it is anticipated that the audit and regularity reports will be unmodified for the College.

The three significant risks identified in the Audit Plan were the revenue cycle, management override of controls and Going Concern. All have been satisfactorily reviewed and tested.

There were five reasonably possible risks identified in the Audit Plan. The audit work did not identify any significant issues in relation to the risk identified.

The Local Government Pension Scheme fund was identified as another risk as the College is required to carry out a full valuation of the assets and liabilities of the scheme on an annual basis and include the net amount in the year-end Financial Statements. The audit work did not identify any material issues in relation to the pension balances or disclosure.

In response to a Governor's question regarding revenue recognition, it was acknowledged that funding for 16-18 year olds is a fixed amount, the College has achieved its Adult Funding allocation so there will be no clawback and Apprenticeship income is paid 1 month in arrears.

The Committee noted the audit fees, non-audit fees and independence of the auditors.

#### **Audit opinion**

- It is anticipated that the audit report will be unmodified between the Audit Committee meeting of 21 November 2017 and the Corporation meeting on 12 December.

#### **Regularity findings**

- An unqualified regularity audit opinion is to be included within the Financial Statements

The Chair thanked the Auditors and the Finance Team including Sandra Small and Gladys Gafrey-Umeh for their hard work in preparing the Financial Statements and Key Issues Memorandum.

The auditors extended their gratitude to the Finance Director for his help and assistance and wished him well for his forthcoming retirement.

The Audit Committee:

1. Received the draft Financial Statements for 2016-17 and the associated draft Audit Findings Report prepared by Grant Thornton;
2. Noted the 2016-17 projected out-turn of a £0.111 million operating surplus and a deficit for the year of £0.365 million after taking into account the adjustment for support staff pensions;
3. Confirmed that the Financial Statements and Audit Findings Report for 2016-17 will be presented to the Corporation at its meeting on 12 December 2017.

### **1341 ANNUAL REPORT OF THE AUDIT COMMITTEE – 2016-17**

The Committee was asked to receive and comment on a working draft of the Annual Report of the Audit Committee for 2016-17 prior to its submission to the Corporation on 12 December 2017.

The content of the report includes key issues, membership of the Committee and dates on which the Audit Committee met in 2016-17, a breakdown of auditor's fees and summary details of the internal Audit checks.

The Committee noted and agreed the content of the Annual Report of the Audit Committee for 2016/17.

#### **1342 ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE AUDIT COMMITTEE**

The Committee noted that the agendas for future meetings would include the following items:

- Internal Audit - Monitoring Statement on issues previously identified in reports presented to the Committee
- Internal Audit - Review of Audit Reports
- Risk Register - review
- Review of the Performance of the Financial Statement's Auditors
- Procurement of audit services

The Chair thanked the auditors for their hard work in providing the annual end of year reports.

*17:30 TWilson and PG left the meeting*

#### **1343 APPOINTMENT OF AUDIT SERVICES**

The Committee was reminded that the future procurement of audit services was put on hold pending the outcome of merger negotiations, which is no longer going ahead.

The 5 year contracts with both Scrutton Bland and Grant Thornton were due to end after the 2017-18 academic year.

It was noted that:

- There is now no requirement to have differing audit services
- The current contracts can be rolled forward on an annual basis
- A tendering exercise may be considered to test the market

At its meeting held on 6 July 2017, the Committee had discussed the above options and agreed that in the light of current matters for the Corporation's attention this issue be brought back to the Audit Committee meeting in November 2017 for further reflection but that meanwhile recommend to the Corporation that the current contract be rolled on. The Corporation had duly approved this recommendation at its meeting held on 17 July 2017.

The Committee acknowledged that the new Deputy Principal and the new Principal, who commence their duties in January and March 2018 respectively, will, in the first instance, have a significant workload to manage, and, therefore, the pragmatic option is to roll forward both of the audit contracts for a further year.

The Audit Committee agreed to recommend to the Corporation that Scrutton Bland be re-appointed as the College's Internal Audit Service for 2018-19 and that Grant Thornton be re-appointed as the College's Financial Statements auditors for 2017-18.

The Audit Committee agreed to review both of these contracts when it meets on 21 June 2018. This would provide sufficient time for any procurement exercises to be undertaken in time for the 2019-20 academic year in relation to internal audit and 2018-19 in relation to the financial statements audit.

#### **1344 DIRECTOR OF FINANCE - THANK YOU**

On behalf of the Audit Committee, the Chair thanked Peter Doble for his hard work and dedication and all he has done for the Audit Committee, the Corporation and the College over the last 4 years and wished him well in his retirement.

#### **1345 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

- To inform the Corporation that Graham Woolnough was duly appointed Chair and Youness Abidou as Vice Chair of the Audit Committee for 2017-18
- The Audit Committee agreed to recommend its Terms of Reference 2017-18 for approval to the Corporation for immediate application.
- The Audit Committee agreed that the Internal Audit Annual Report for 2016-17 be presented to the Corporation at its meeting to be held on 12 December 2017
- The Committee agreed that the Chair of Audit and Clerk discuss with the Chair, the three strategic risks for which the Corporation is accountable and to recommend that a strategy group meets to consider these risks in further detail

- The Chair of the Audit Committee is to discuss with the Chair of the Corporation potential training for Governors on risk appetite
- The Audit Committee recommends to the Corporation that Scrutton Bland be re-appointed as the College's Internal Audit Service for 2018-19 and that Grant Thornton be re-appointed as the College's Financial Statements auditors for 2017-18.
- The Audit Committee agreed to review both of these contracts when it meets on 21 June 2018. This would provide sufficient time for any procurement exercises to be undertaken in time for the 2019-20 academic year in relation to internal audit and 2018-19 in relation to the financial statements audit.

**These minutes have been approved by the Audit Committee and signed by the Chair as a correct record.**

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**Signed**

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**Date**