

Waltham Forest College



THE CORPORATION OF WALTHAM FOREST COLLEGE

AUDIT AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON 1 DECEMBER 2022

MEMBERS OF THE COMMITTEE

Michael Eichhorn (Chair)	present
Renatta Nzomono (Vice Chair)	present
Neil Taylor	present
Jacqueline Young	apologies

CLERK TO THE COMMITTEE

Naomi Shoffman	Director of Governance (DoGov)
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IN ATTENDANCE

Janet Gardner	Principal & Chief Executive
Abena Rodman-Tay	Deputy Principal Finance & Resources (DPFR)
Stephen Pringle (SP)	Wylie Bisset – Internal Audit Service (IAS)
Joseph Sale (JS)	McIntyre Hudson - Financial Statements Auditors (FSA)
Stuart McKay (SMK)	McIntyre Hudson - Financial Statements Auditors (FSA) (minute 1568 onwards)

The following Board Members joined the meeting for the items presented and recorded at minutes 1568-1570: Youness Abidou, Paul Butler, Amir Seyyad, Gbeminiyi Soyinka, Darren Talbot.

1560. ATTENDANCE OF THE PRINCIPAL AND OTHER COLLEGE MANAGERS AT THE MEETING OF THE AUDIT COMMITTEE

The Committee agreed that the Principal, and the Deputy Principal Finance and Resources (DPFR), be invited to attend the meeting.

1561. WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed everyone to the meeting. Apologies for absence were received from Ms Young due to her child being unwell.

1562. DECLARATION OF INTERESTS

Mr Taylor reminded the Corporation of his employment with Leyton Orient Trust; a sub-contractor of the College. There were no issues included on the agenda for the meeting in which they had a personal interest relative to the College.

1563. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 5 JULY 2022

The Minutes of the Audit Committee meeting held on 5 July 2022 were approved by the Committee as a correct record.

1564. MATTERS ARISING

None

1565. INTERNAL AUDIT ANNUAL REPORT 2021-22

SP, the Internal Auditor, presented the Internal Audit Annual Report for 2021-22 and highlighted the following:

- The IAS had an extensive external assessment undertaken against these standards in November 2021 which concluded that the Wylie and Bisset LLP Internal Audit Department conforms with and is fully compliant with all 64 Standards.
- It is mandatory to have this assessment every five years, but Wylie Bisset has taken the decision to do so every two years because of Covid and growth in their staff and clients.
- Opinion - the IAS is satisfied that
 - Sufficient internal audit work has been undertaken to allow the Wylie and Bisset LLP Internal Audit Department to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.
 - Waltham Forest College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of their audit work.
 - The College has proper arrangements to promote and secure value for money.
- There was a small change in the annual audit plan which was agreed with the Committee.
- The reviews give an "overall strong" assurance with one review giving "substantial" assurance.
- There were no high-grade audit recommendations or anything of material concern.
- Wylie Bisset benchmarking data overall shows the College is performing better than most of comparable clients.
- The IAS achieved 100% compliance against the KPI's.
- All recommendations relating to last year 2020/21 have been actioned. There is one outstanding action from previous year which is partially implemented (due to new MIS and HR system being implemented).

The Chair asked whether the reduction in the number of recommendations is due to College's processes and systems being better. SP responded that the College's processes and systems have improved, and this is reflected in the reviews and the assurance being given. The College has performed well as only seven recommendations being made over four reviews is a very good result. JS commented that comparing these IA finding against other colleges shows the College is in a strong position compared to what they have seen elsewhere. The Chair asked what this is attributed to? JS said it is hard to comment specifically on that but a lot of it is due to WFC controls in place.

The Committee received the Internal Audit annual report

1566. INTERNAL AUDIT PLAN 2022-23 – Updated

SP presented the Internal Audit Plan which has been updated further to new changes being introduced by the ESFA on subcontracting audits which will mean additional testing will be required (2 extra days) resulting in some additional cost. Once the work is completed, the IAS will produce a certificate and the College will be signed off as an approved provider. After this subcontracting will not need to be reviewed in year 2 and 3.

The Committee agreed to recommend to the Corporation Approval of the updated Internal Audit plan for 2022-23.

1567. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The DPF presented the report and said that the majority of recommendations have been implemented. The one outstanding from previous year is still partially implemented due to integration issues between the new HR and MIS systems recently implemented. This is expected to be fully implemented by the next meeting.

A member asked how this impacts the overall day to day data requirements. The DPF explained how it impacts on

the timeliness of information in real time. However, the data can be sourced by other means, if needed. The DPFRR will provide an update at the next meeting.

The Committee noted the positive report

The following Board Members joined the meeting for the items presented and recorded at minutes 1568-1570: Y Abidou, P Butler, A Seyyad, G Soyinka, D Talbot.

1568. FINANCIAL STATEMENTS 2021/22

JS and SMK, the Financial Statements Auditors (FSA), presented the key highlights and points from the draft Financial Statements Report, Regularity Audit, Key Findings and Letter of Representation prepared for 2021-2022 as follows:

- The Statutory annual accounts show an 'Outstanding' Financial Health, healthy cash reserves and cash days.
- The key areas of audit focus/risk which had been identified as part of the overall audit strategy and how they have been resolved, are as follows:
 - Entitlement and Recognition of Income
 - Capital Expenditure & Commitments - the treatment of the boilers' depreciation has been resolved and it is now correct in the accounts;
 - Opening Balances
 - Going Concern – this needs to be demonstrated right up to the signing of the accounts
 - Key Financial Controls
 - Financial Reporting
 - Pensions – SM explained the background to and basis of the pension increase order (PIO) that will take effect in 2023. Management's view was to ensure that the College remained consistent in its approach to the LGPS valuation and whilst taking into account the PIO had an element of prudence to it, the College did not feel it appropriate to try and forecast the future pension position at the next accounting year end. SM said he is happy with this judgement and does not consider the accounts to be materially misstated in this regard. The Chair of F&R Committee said he supported the senior management decision. The Committee agreed that there is too much uncertainty so to just proceed as is.
 - Other Provisions – the FSA have reviewed management's calculation of the potential liability associated with the recent Harpur Trust vs Brazel case and note that it has been included within Accruals; given its immaterial value, the FSA is content that this classification does not materially misstate the accounts.
- There were some Audit misstatements and some technical adjustments changes. The changes were due to the timing of the audit and funding returns, classification of the insurance claim and the funding audit preliminary overclaim which has been removed from the accounts.
- The audit has not identified any other misstatements or anything of materiality that requires communication to the governors which have not been adjusted for.
- The number of Audit misstatement raised is the least the FSA have been seen in all colleges this year and is fairly standard.
- Opinion - It is anticipated that an unqualified opinion will be given. However, the Funding audit opinion is required before the FSA can complete their work.
- Letter of Representation – there were no representations that the auditors cannot give assurance over which is good news.
- In addition to the financial and regularity audits the FSA also carried out the annual Teachers Pension audit.
- Fees –The initial fee quote provided in the Audit Strategy Report was based on audit deliverables and draft accounts being supplied in accordance with the agreed timetable, and several other assumptions. There have been several issues on both sides regarding the timeliness and completeness of audit deliverables and the draft accounts due to changes made towards the end of the audit fieldwork. Some of these were due to additional adjustments as a result of R14 and delays in ESFA audit program. These matters have resulted in the FSA incurring costs in addition to those budgeted. Furthermore, as a result of payroll reporting issues, there has been a significant amount of additional work required in completing this year's Teachers' Pensions Audit attracting additional costs. It was agreed to discuss any implication of the proposed increase at the March meetings.

SMK then went through the audit findings recommendations and management responses. All recommendations are grade c – housekeeping, best practice.

Questions /Comments were invited.

The Chair asked how the College's provision accruals compare to other colleges and whether WFC is rather conservative compared to others – SMK confirmed the College takes a robust attitude to this.

The Vice chair said it was reassuring to have the level of feedback around the amount of proactivity of the DPFR and her team. It is very positive that there is nothing in the report that is contentious. SMK said the report is a fair reflection of where the College is and demonstrates the benefit of the FSA's controls-based approach.

The Chair asked whether there is any area where the College may be exposed or should think about? SMK responded that the ONS reclassification is and will be the main dominant issue for the next few years, but he will reflect on other reports and will advise if there is anything else on the horizon. The Vice Chair asked whether the FSA will be providing any webinars on the implications of ONS. SMK explained transitional arrangements are in place now, but actual guidance will not be published until 2024. FSA will share anything they have. He advised that a statement about ONS will be added to the financial statements as a post balance sheet event.

The Chair asked whether the issue re depreciation could arise again for other assets. SMK responded that there may be an issue with historic assets. The Committee will review this again in the next meeting and take actions, if deemed necessary.

The draft Financial Statements Report and accounts, Key Findings and Letter of Representation for 2021-22 were noted. The final document will be submitted to the Corporation meeting on 13 December 2022 for final approval.

1569. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE 2021-22 (SARQ)

The Committee considered the report on the Corporation's self-assessment of its governance and oversight of the College during 2021/22.

The Committee reviewed and were satisfied with the SARQ responses.

The Committee agreed to recommend to the Corporation that the Regularity Audit Self-Assessment Questionnaire 2021/22 may be signed by the Principal and Chair of The Corporation.

1570. POST-16 AUDIT CODE OF PRACTICE 2022/23

The DPFR advised that this document is updated every year. Therefore it is presented annually alongside the financial statements.

The Committee noted the Post-16 Audit Code of Practice 2022/23.

All members of the Board other than members of the Committee withdrew from the meeting.

1571. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE 2021-22

The DoGov spoke to the draft Audit and Risk Committee Annual Report for 2021-22.

The Committee were satisfied with the content of the report but agreed that the impending appointment of an independent member of the Committee should be added. It was also agreed that the Appendix should be used for internal reflection but need not be included in the version made available for public consumption.

A general discussion followed around other ways to increase the Committee membership.

The Committee agreed to recommend the AUDIT AND RISK COMMITTEE Annual Report 2020-21 to the Corporation on 13 December 2022 for Approval subject to the changes agreed.

1572. UPDATED COLLEGE RISK REGISTER

The DPFR presented the College Risk Register, highlighting the changes since the last report.

The Committee reviewed and commended the Risk Register but asked that the residual risk score column be utilised to see movement. There followed a discussion around which areas may be more or less risky going forward The DPFR in the context of the College's risk appetite and emerging changes such as ONS, and the reduced Covid impact. The Vice Chair commented that a priority would be to understand the impact of the ONS reclassification; NT agreed and said WFC should be risk averse now until the College has a better understanding of this.

The Principal cautioned that there are many emerging issues that the College needs to carefully monitor and gave some examples, including overcoming the deficit in energy costs, which is still a real challenge. In terms of next steps of development, the Principal said she would like the College to focus on identifying opportunities as well as mitigating risks. The Committee agreed and suggested using risk measurement, and stress testing to then define risk appetites to establish a reporting framework for the Committee and Corporation. The Chair said it would be beneficial to have a management plan as to what we would like to develop in terms of what to pursue in 2023 and that it may help to look at mutually exclusive and mutually complementary risks and to see if there are any themes the Committee should pursue through the year. It was agreed this can be managed at SLT level so does not have to come to the Corporation, but the Chair said it would be useful to look at this at the strategy day. The Principal said strategic options in terms of College going forward will be discussed and agreed at the strategy day with governors and this can be considered together with risk management.

The Committee received and noted the updated College Risk Register.

1573. REPORT OF FRAUD INCIDENTS

NONE

1574. PI'S FOR AUDITORS

The Committee considered the draft questionnaire listing the PI's and agreed the arrangement for this review which will take place at the beginning of next term with all committee members, and any members of staff who have been involved with the audits being asked to complete a questionnaire. The outcomes will be compared to the IAS and FSA's own self-assessment and brought to the next meeting.

1575. DATES OF NEXT MEETINGS

- Thursday 9 March 2023
- Thursday 22 June 2023

1576. ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

- Recommendation of Annual Reports to the Board for approval – DPFR/DoGov
- Review of historic assets - DPFR
- Update on HR systems - DPFR
- Update on fees and lessons learnt on both sides - DPFR
- External auditors' ONS briefings /training - MHLP
- Check who else of the current Corporation membership can join committee on a - DoGov
- Determine which Risk management items to be prioritised and covered at strategy day - SLT
- Auditors' assessments – DoGov

1577. ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE AUDIT AND RISK COMMITTEE

The Committee is asked to note that the agendas for future meetings will include the following items:

- Monitoring Statement on issues previously identified in reports presented to the Committee
- Internal Audits
- Review of Audit Reports and outstanding recommendations
- Risk Management /Board Assurance Framework

- Risk Register
- Reserves Policy
- Treasury Management Policy
- Review of Auditors performance

20.04 finish

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

M Eichhorn.....
Signed

.....20 March 2023.....
Date