



## UNCONFIRMED MINUTES

### THE CORPORATION OF WALTHAM FOREST COLLEGE

#### AUDIT COMMITTEE

#### MINUTES OF THE MEETING HELD ON 20 JUNE 2019

#### MEMBERS OF THE COMMITTEE

Youness Abidou (Vice Chair)	present	Member
Renatta Nzomono	present	Member
Kapil Wadhvani	<i>apologies</i>	Member
Graham Woolnough (Chair)	present	Member

#### CLERK TO THE COMMITTEE

Val Bartlett	Clerk to the Corporation
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#### IN ATTENDANCE

Joy Kettle	present	Principal & Chief Executive
Lynda Croft	present	Deputy Principal Corporate Resources
Nadia Ahmed	present	Governor and Observer to the meeting
Neil Taylor	present	Governor and Observer to the meeting
Kalim Uddin	present	Head of I.T. and Data Protection Officer (DPO)
Nicola Meadows		Scrutton Bland
Ade Oyerinde	present	Grant Thornton
	present	

#### **1402 ATTENDANCE OF THE PRINCIPAL AND DEPUTY PRINCIPAL CORPORATE RESOURCES AT THE MEETING OF THE AUDIT COMMITTEE**

The Committee agreed that the Principal and the Deputy Principal Corporate Resources should be invited to attend the meeting.

In addition, the Chair welcomed Nadia Ahmed and Neil Taylor as observers to the meeting acknowledging that this also forms part of their induction process.

#### **1403 APOLOGIES FOR ABSENCE**

Apologies had been received and accepted from:

Kapil Wadhvani- work commitment

#### **1404 DECLARATION OF INTERESTS**

Neil Taylor reminder all of his role as Chief Executive of Leyton Orient Trust and that this may conflict with the internal audit report on sub-contracting.

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

**1405 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 12 MARCH 2019**

The minutes of the Committee meeting held on 12 March 2019 were approved by the Audit Committee and signed by the Chair as a correct record.

**1406 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 12 MARCH 2019**

There were no matters arising from the Minutes of the meeting held on 12 March 2019.

**1407 INTERNAL AUDIT REPORTS 2018-19 - UPDATE**

The Audit Committee received a progress report on the planned internal audits for 2018-19.

All internal audit reports have now been completed apart from that of Additional Learning Support – ALS – which is due to be finalised next week and will be presented to the next Audit Committee meeting.

The Committee then reviewed the following Internal Audit Reports.

***General Data Protection Regulation – GDPR***

The objective of this audit was to confirm that the College has appropriately embedded changes required by the GDPR that came into effect on 25 May 2019 and also to assess the progress made with the previously agreed recommendations.

The assurance level provided from this audit was 'limited'.

It was noted that the College embarked positively on the implementation of actions to create a sound framework for the management of data according to the principles of GDPR. However, due to staff management turnover and reliance upon managers to take ownership of agreed practice and knowledge locally, the continuation of some of the agreed actions has not continued within all teams. Additionally, several areas were identified where guidance has not been formalised and disseminated to the user.

The Committee then reviewed and discussed the 1 'high' and 5 'medium' recommended risks in particular.

The 'high' recommendation is to review the Data Protection Policy as recommended with the aim being to present this to the Corporation meeting on 9 July 2019.

The Committee was informed that a GDP Working Group has now been established which will meet termly to monitor actions and ensure they are implemented.

The 4 'medium' risks all have a due date of 31 July 2019 and in response to a Governor's question, assurance was provided that his date was achievable.

It was noted that the College is continuing to use Unit-e whilst it co-ordinates the move over to ProSolution. This has a particular impact on MIS and assurance was provided that plans are in place to ensure GDPR compliance and an update will be provided to the Corporation on 7 July.

An Information Security Policy is to be drafted and submitted to the Corporation in the Autumn term. Password guidance is to be reviewed.

The recommendation of the publication of the expectations of a clear desk policy was accepted in principal. A governor questioned why this is only agreed in principal as it has potentially important security implications. The DPCR replied that the issue was around availability of lockable storage for staff members, which would be addressed.

The Audit Committee was provided with assurances from management that there are to be more checks and controls from senior management with GDPR now being a regular agenda item at Executive meetings. The follow-up on the GDPR recommended actions will be reported back to the Audit Committee.

The DPO then informed the Committee that there had been a Subject Access Request from a former member of staff which had subsequently been forwarded to the ICO who, in turn, had confirmed that the College had appropriately complied with this SAR request.

18:25 KU left the meeting

The Audit Committee sought and was provided with assurances from management that the DPO will be supported with the workload in this area.

### **Governance**

The objective of this audit was to evaluate the level to which the College complies with the Code of Good Governance for English Colleges; Principal 10 review of Governance performance.

The Corporation is considering the format and effectiveness of its current governance arrangements. The College has recently produced its Strategic Plan 2019-22 with the clear goal of obtaining 'outstanding' in its next Ofsted inspection. This will require a Corporation that is looking to the future and driving the College forward with a governance model best suited to providing the Corporation with the capacity to achieve this.

The assurance level provided from this audit was 'significant'.

There was 1 'medium' recommendation regarding consideration as to whether the current governance structure allows for adequate delegation by the Corporation to relevant committees and working groups, therefore allowing adequate time to focus on strategic matters and steering the College towards meeting the objective of being 'outstanding'.

The Committee then discussed the current governance structure and concurred that, currently, it was suitable, but that going forward it was correct to keep it under review. The Committee agreed that the Chair and Clerk meet to reflect on these findings and consider if a review of the governance structure may form part of the annual self-assessment of governance and/or an item at a strategy session.

It was noted that the responsible officer for the recommendations should in fact be the Chair/Clerk/Corporation and not the Principal as per the audit report.

### **Lecturer Deployment**

The objective of this audit was to provide assurance that the College utilises available staff resources in an effective and efficient manner, including the utilisation of existing staff and use of agency staff.

The assurance level provided from this audit was 'reasonable'.  
There were 3 'low' and 5 'medium' recommendations.

It was noted that the audit findings considered that the controls in place to govern lecturer deployment are insufficiently embedded within the College. There is no overarching guidance document to inform members of staff over the policies and procedures regarding teaching staff utilisation. In addition, the interactions between H.R. and MIS to track and monitor lecturer utilisation are inefficient and often duplicate each other

### **Subcontracting ESFA External Controls Assurance**

The objective of this audit was to undertake an independent review of the College's subcontracting provision. This review was aligned with the ESFA's June 2018 document 'Providing external assurance on subcontracting controls'. Scrutton Bland has duly issued the College with a certificate to certify they have delivered a report which provides satisfactory assurance on the relevant systems and controls in place regarding subcontracting, and that this report identified no recommendations, or where recommendations were identified, these have either been implemented or that there is an implementation plan with a completion date.

The assurance level provided from this audit was 'significant'.  
There was 1 'low' recommendation

The Committee noted that the Supply Chain Fees and Charges Policy is to be presented to the Corporation for approval on 9 July 2019. Meanwhile, the Deputy Principal Corporate Resources is to check the current Fees Policy which is on the website

### **Follow-Up of previous recommendation**

The Audit Committee was informed that the College has made 'reasonable' progress in implementing the internal audit recommendations in the 2017/18 audit reports. However, there remain six recommendations for 2015/16 and 2016/17 that have yet to be implemented.

A Governor queried the Health and Safety (H&S) recommendations which were still outstanding, as the H&S consultant had previously assured the Committee at its meeting on 12 March 2019 that significant actions had been taken to address the recommendations.

The Deputy Principal informed the Committee that there had been a focus on Risk Assessments in particular high risk curriculum areas such as ACE, Catering and Hair & Beauty but concurred there was still work to do.

In response to a query regarding being able to meet the due date of 31 August 2019 for most of the outstanding actions, the Deputy Principal stated that this date emphasises the importance the actions and efforts required to complete these recommendations.

The Internal Auditor confirmed that the category they allot to a recommendation cannot be altered even if, due to the passage of time, it may now be viewed as 'low' risk.

The Committee was informed that the recommendations regarding the review of the College's Financial Regulations will be undertaken by the newly appointed Director of Finance and Estates.

The Audit Committee noted the internal audit reports.

#### **1408 INTERNAL AUDIT ASSURANCE STRATEGY AND ANNUAL PLAN 2019-20**

The Audit Committee was asked to receive and consider the Internal Audit Assurance Strategy and Annual Plan for 2019-20.

The College's Risk Register has been mapped against the Internal Audit coverage and assurances and a proposed plan for 2019-20 has been drawn up.

The Committee noted the Payment Card Industry Data Security Standard compliance and Cyber Security Audit which, in part, is a follow-on from the Anti-Fraud audit undertaken in 2018/19.

Governors then discussed the recent HMRC VAT Inspection and IR35 and it was agreed that a payroll audit also be included in the 2019-20 Annual Plan.

The Committee noted the proposed summary Internal Audit Plan for 2019-20 and agreed that it be presented to the Corporation at its meeting on 9 July 2019 for approval.

#### **1409 FINANCIAL STATEMENTS 2018-19 – AUDIT ARRANGEMENTS**

The Committee noted the change of the Financial Statements Audit engagement lead for 2018-19 from Jenny Brown to Stephen Dean and that Ade Oyerinde is the Senior Manager.

The Financial Statements (FS) auditor reported on the arrangements for the Audit Plan of the College for the year ending 31 July 2019.

Governors were informed that the format is similar to previous years and noted the following in particular:

- The risk based audit approach which is being taken
- Identification of the significant risks (which are common to all entities regardless of sector) revenue cycle, management override of controls, going concern (recognition as a continuing College)
- Other key audit areas; creditors, property, plant and equipment, pensions scheme (valuation)

The Audit Committee concurred that the main audit areas had been identified for review.

A Governor queried if a substantive audit approach was being taken and if this had changed from previous years. The auditor confirmed that the audit will be largely substantive and control based.

Discussion then took place regarding the VAT inspection and the draft findings and that if this may be a material issue. If so, it was questioned how the College and Grant Thornton had failed to identify this issue over a number of years.

By way of response, Grant Thornton agreed to check and review this VAT issue. It was then explained to the Committee that the initial risk assessment provides the direction alongside a proportionality approach, thereby not every VAT return is tested, rather there is a check of the controls in place and if they are not considered to be 'high risk' then there is no uptake in any additional work.

The question was then posed if there may be any other accounts with a significant balance, which may not feature as a result of the 'test' and approach taken by Grant Thornton. It was acknowledged that Payroll is an area in questions and it was agreed that Grant Thornton will focus time on this area.

The Regularity Assurance work will take place at the same time as the FS audit.

The audit timeline, audit team, audit fees and independence of the auditors and the communication of audit matters were all noted.

The Audit Committee received and noted the arrangements for the Audit Plan for the College for the year ending 31 July 2019.

#### **1410 HMRC – VAT AUDIT OF WALTHAM FOREST COLLEGE**

The Committee was informed that the College had been randomly selected for a HMRC VAT inspection which subsequently took place on 8 May 2019.

The College engaged the services of the Internal Auditors VAT Team to review the College's recent VAT management and practice, and to provide advice and support to the College to manage the inspection. The Deputy Principal thanked Chris George from Scrutton Bland for his assistance in this matter.

The inspection reviewed the College's VAT matters for four complete financial years, dating back to 2014/15.

Three areas have been queried by HMRC with two of them now being completed and the third to be completed by 10 July 2019.

At this stage the College's exposure is still under review, however, it is likely that the cost to the College could be c.£100k.

The Deputy Principal informed the Committee that the College's systems and procedures to manage and monitor the College VAT have been updated and implemented, relevant staff are now fully aware of the required procedures and there is to be an internal audit of VAT at some point in the near future. The College is now VAT compliant for 2019.

The Deputy Principal is to keep the Audit Committee and Corporation fully informed on these matters.

#### **1411 COLLEGE RISK REGISTER**

The Deputy Principal reported on the updated Risk Register.

The Committee was informed that the College Risk Management Group had met on 21 May to review the Risk Register and that the risks remain largely as before.

The updated actions taken/planned were noted and that they will also reflect the findings from internal audit reports.

Governors requested that the register be re-ordered into priorities and RAG rated including an arrow to indicate direction of travel.

It was noted that one of the more concerning risks for the Deputy Principal was that of recruiting experienced and qualified MIS staff.

The Audit Committee received and noted the Risk Register.

#### **1412 PROPOSED CALENDAR OF MEETINGS FOR 2019-20**

The Audit Committee noted the dates of its meetings for 2019-20:

- Thursday 21 November 2019
- Tuesday 10 March 2020
- Thursday 11 June 2020

**1413 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
- Financial Statements audit 2018-19
- Review of the Performance of the Financial Statement’s Auditors
- Procurement of audit services
  - o Having reviewed the current performance of the audit services provided, the Audit Committee agreed to recommend to the Corporation the continuing engagement of both sets of auditors for a further year i.e. 2019-20 with a tender exercise then being conducted by the Audit Committee at the beginning of 2020 for a recommendation to be made to the Corporation at its meeting in March 2020.
- GDPR

**1414 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

- The Internal Audit report on Additional Learning Support – ALS – which is due to be finalised next week and will be presented to the next Audit Committee meeting.
- The ‘high’ recommendation to review the Data Protection Policy with the aim being to present this to the Corporation meeting on 9 July 2019.
- The College is continuing to use Unit-e whilst it co-ordinates the move over to ProSolution. This has a particular impact on MIS and assurance was provided that plans are in place to ensure GDPR compliance and an update will be provided to the Corporation on 9 July.
- An Information Security Policy is to be drafted and submitted to the Corporation in the Autumn term.
- The follow- up on the GDPR recommended actions will be reported back to the next Audit Committee meeting.
- The Committee agreed that the Chair and Clerk meet to reflect on these findings and consider if a review of the governance structure may form part of the annual self-assessment of governance and/or an item at a strategy session.
- The Committee noted that the Supply Chain Fees and Charges Policy is to be presented to the Corporation for approval on 9 July 2019.
- The Deputy Principal Corporate Resources is to check the current Fees Policy which is on the website.
- Governors discussed the recent HMRC VAT Inspection and IR35 and agreed that a payroll audit also be included in the 2019-20 Annual Plan.
- The Committee noted the proposed summary Internal Audit Plan for 2019-20 and agreed that it be presented to the Corporation at its meeting on 9 July 2019 for approval.
- Grant Thornton agreed to check and review the VAT issue.
- Governors requested that the College Risk Register be re-ordered into priorities and RAG rated including an arrow to indicate direction of travel.

19:40 NA/NT/JK/LC/NM/AO left the meeting

**1415 CONFIDENTIAL SESSION**

The Chair of Audit Committee called for a confidential session with only Audit Committee members and the Clerk to be present.

**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**