



THE CORPORATION OF WALTHAM FOREST COLLEGE

AUDIT AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON 20 MARCH 2023

MEMBERS OF THE COMMITTEE

Michael Eichhorn (Chair)	present	Member
Renatta Nzomono (Vice Chair)	present	Member
Simon Deschenes	present	Co-opted Member

CLERK TO THE COMMITTEE

Naomi Shoffman	present	Director of Governance (DoG)
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IN ATTENDANCE

Janet Gardner	present	Principal
Abena Rodman-Tay	present	Deputy Principal Finance & Resources (DPFR)
Lisa Smith	present	RSM (item 1583 only)
Stephen Pringle	present	Wylie Bisset Internal Audit Service (IA) (item 1583 to 1587 only)

1578 ATTENDANCE OF THE PRINCIPAL AND OTHER COLLEGE MANAGERS AT THE MEETING OF THE AUDIT & RISK COMMITTEE

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

1579 WELCOME AND APOLOGIES FOR ABSENCE

There were no apologies. The Chair welcomed Simon Deschenes to his first meeting.

1580 DECLARATION OF INTERESTS

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

1581 MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 1 DECEMBER 2022

The Minutes of the Audit and Risk Committee meeting held on 1 December 2022 were approved by the Audit and Risk Committee as a correct record.

1582 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 1 DECEMBER 2022

- The Chair asked whether the integration of the HR and MIS systems had been implemented. The DPFR confirmed this was the case.
- The Chair asked and the DPFR advised on the outcome of her discussion with the FSA re their fees.

1583 INTERNAL AUDIT REPORTS 2022/23

i. ESFA FUNDING ASSURANCE REVIEW

The Chair welcome Ms Smith to the meeting. Ms Smith said that she had led the team that delivered the review and would take the report as read. She thanked the college team who had worked with RSM to get the piece of work delivered. Ms Smith then took the Committee through the report and highlighted the following points:

- Key themes /issues.
 - The areas reviewed – Carry-in apprenticeships and adult education budget provision; Apprenticeships (from 1 May 2017); 16 to 19 study programmes; Advanced Learner Loans and Loans Bursary fund; Subcontracting; ESF match funding.
 - Approach and Process.
 - Key funding issues identified.
 - Further observations and recommendations for improvement of processes and controls – all errors had been correct in the R14 ILR submitted to the ESFA.
 - An Unsatisfactory conclusion was given in one area where the error rate exceeded 5% the remaining areas were given a satisfactory conclusion.
 - Overall the college was given a Satisfactory conclusion on the use of funds.
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- The Chair asked how this outcome compares to other colleges. Ms Smith said this was similar to other providers. The % error rate was slightly higher as unfortunately the incorrect completion rate recorded was due to lack of understanding rather than a systemic issue. The problem is that the funding rules change so frequently they are sometimes difficult to interpret and understand.
 - A member asked about subcontracting being reviewed at a high level and whether these issues have been picked up otherwise. The DPF explained that the College has a process of internal audits which are carried out by the Head of Funding and Data and these are reported to the SLT. To date this has been done internally but following an audit recommendation these will in future come to the Committee. A Funding and compliance officer was appointed last year to support this work.
 - In order to reassure the Committee, the Principal went through what actions have been taken and also put into context the unsatisfactory area which the College had already identified. Although this it is not an excuse there have been four funding rules changes since the last review, which has been difficult to keep up with. In terms of the error rate this is a tiny percentage of overall students.
 - A member asked if there was an acceptable error rate. The Principal advised that 5% seems to be it. However, it is important to contextualise as the report templates are generic. The area concerned accounts for less than 1% of overall College provision. The clawback was less than 0.08 of the funding received from the ESFA in the three-year period under review and some of the problems were legacy issues. The Principal advised the steps identified, additional impact on risk rating and that the clawback was provided for in accounts. Ms Smith commented that as the overall conclusion was 'satisfactory' All the errors had already been corrected in the R14 ILR. She would be surprised if the College was selected for another review.

The Chair thanked Ms Smith and the Principal for the re-assurance and Ms Smith withdrew from the meeting.

The IA commented that his firm carries out similar reviews, and this report compares well.

ii. Internal Audit REPORTS 2022-23

The Internal Auditor (IA) took the Committee through the following three internal audit reports.

• Overall Financial Controls

The purpose of this assignment was to review controls across all key financial control systems. This included a review of processes relating to purchasing, income, cash and banking, payroll, and fixed assets.

The overall conclusion from this audit was 'strong' assurance. There was one low grade recommendation made around the College needing to ensure month end checklists are fully signed off at the point where processes are fully completed; seven areas of good practice were highlighted.

In terms of benchmarking, it was noted that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The Chair asked if all the procedures in page 6 of the report were completed and related to the checklist. The IA confirmed all the 64 tasks had been completed and the checklist – which was an individual issue and more a matter of housekeeping – is now all in place. The DPFRC commented that recommendations need to add value and she feels the checklist is rather excessive. A Member suggested that the checklist should perhaps focus on the key controls rather than all the activities that lie within them.

A member asked about the period chosen for testing. The IA explained this was driven by the timing of the audit work and the available relevant and timely information and data.

The Committee commended the good report.

- **Estates Management**

The purpose of the assignment was to review the strategic and operational arrangements in place in respect of Estates Facilities at the College. The review also looked at whether the College is attaining best value from the systems in place. The review further considered the maintenance of assets, the safety of the estate and the processes to ensure compliance with safety legislation, facilities and security.

The overall conclusion from this audit was 'strong' assurance with two low grade recommendations. One recommendation was in respect of approving and implementing the draft estate strategy which is in the process of being updated which is why it's a low grade. The other recommendation was for the College to ensure that safety certificates are logged at the point of assessment rather than the date in which certificates were received. 16 areas of good practice were highlighted.

In terms of benchmarking, it was noted that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The Committee asked about the estates strategy document which has not been updated since 2019. The IA said he was happy with the content and what would be covered in the strategy and that the issue is mainly due to timing of the review. The DPFRC advised the strategy has now been updated but before it comes to the F&R Committee and Board for approval the executive want to add a couple of things for implementation and are also waiting for the outcome of a report they have commissioned to look at the option of adding some floors to the main building.

In response to a member's query, the IA confirmed that the College is meeting its statutory obligations in relation to Estates Management.

The Committee commended the good report.

- **Risk Management**

The purpose of this assignment was to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. This review looked to provide assurance to the Audit and Risk Committee, that the College's risk management arrangements are adequate.

The overall conclusion from this audit was 'strong' assurance with one low grade recommendation in respect the strategy implementation IA recommended "that the College continues to develop its risk framework so that risk management is actively embedded at all levels of the College's activities." Twelve areas of good practice were highlighted.

In terms of benchmarking, the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The Chair asked the IA what arrangements he has seen in other colleges. The IA said that the level of detail provided in terms of risk appetite in WFC's arrangements is one of the best the IA has seen, and they recommend this to other clients to benchmark against.

A member said that a lot of hard work has been done around this and much of the focus has been on developing the strategic and operational risks and Board level risk appetite, with some further

stress testing needed. She thanked everyone involved in this piece of work. In terms of feedback, she asked why the SLT and governors' responses to the RM questionnaires were grouped together and also if there is anything from the feedback comments that stood out. The IA explained that they had used MS forms which groups all together. He advised that they do not usually get as many responses and rarely any added comments. The responses therefore are viewed as being genuine, and reassuring. There is good evidence that Risk Management is embedded in the organisation and used as part of the day-to-day decisions taking.

The Chair asked whether the scenario planning mentioned in the report relates to current or future activities – the DPFR advised it relates to both and explained how scenario planning is used at present giving some examples. The Principal added that scenario planning is also used by the executive for exceptional decision such as procurement. There is a need, however, as per the recommendation, to further embed Risk Management lower down the levels in the College. The DPFR said this is being addressed, for example by asking departments to develop their own risk register as part of curriculum and business planning.

The Committee commended the good report.

• **Update on Internal Audit Recommendations**

The DPFR talked through the report which tracks progress on the Follow up recommendations from previous audits and highlighted the following:

- All audit recommendations from the College's Internal Auditors including any audits by the ESFA are followed-up by SLT monthly to ensure that they are implemented in a timely manner.
- All previous year's internal audit recommendations have been implemented.
- All outstanding recommendations (21) from External Auditors(year-end) are being implemented as per the agreed deadlines. 18 from ESFA funding audit and three from the College's external auditors.
- There have been three new internal audits this year 2022/23 as per the reports from WB.
- One recommendation which was carried forward from last year is now completed.

All recommendations and actions taken will be checked by auditors as part of their follow up report in summer.

A member asked whether there were any outstanding high-risk recommendations. The DPFR explained the different ways the recommendations are categorised by the different sets of auditors. She reported that Apprenticeships and possibly Sub-contracting were potential areas of concern but there were no issues in terms of cash.

A member asked whether the completion dates were achievable given the short timelines. The DPFR explained that Audits were carried out in November so the College plans for three to four months to complete as it is important to implement recommendations swiftly. It is the College that sets the implementation dates and if any are outstanding then the College will have to change the dates.

The Committee noted the positive Audit reports and progress made on the Internal Audit recommendations.

1584 POLICIES

i. Data Protection Policy

The Committee received the revised Data Protection Policy. The policy has been reviewed and updated in line with Brexit and the move towards UK GDPR.

The only particular section that has been updated is Section 8 which covers the international transfer of data. The UK GDPR restricts the transfer of personal data to countries outside the UK or to international organisations. These restrictions apply to all transfers, regardless of the size of transfer or how often data is transferred.

A member commented that the changes are complicated and asked how have we amended our controls to align ourselves to the changes to remain compliant. The DPFR went through the various processes in place and how we gain assurance that data is being used appropriately via the Data impact assessment form.

ii. Risk Appetite Statement

Deferred.

The Committee

- **Agreed to Recommend to the Corporation approval of the Data Protection Policy.**
- **Noted the Risk Appetite Statement will be brought to the next meeting.**

1585 FREEDOM OF INFORMATION ANNUAL REPORT

The Committee received The Freedom of Information Annual Report and Log.

The DoGov advised on the request to include details of

- who raised the request and, if available,
- for what purpose/reason (why).

She advised this had not been included as she was reluctant to record personal names in a potentially public document. She added that there is no obligations for requestees to provide reasons for the request.

The Principal commented that even though the requests came from individuals the majority worked for unions, other institutions and commercial organisations and similar requests were also sent to other colleges. It was agreed that future reports would include these details under confidential cover as this would be useful to identify trends.

The Committee noted the Freedom of Information Annual Report and Log.

1586 PIDA/WHISTLEBLOWING

The Committee noted that there have not been any reported incidents since the last report.

The Committee noted the verbal report.

1587 COLLEGE RISK REGISTER

The Committee received the College Risk Register showing pre and post mitigation scorings, and controls in place to mitigate risks. All key risk areas have been updated with recent controls and management activities.

The DPFR reported on the following key risk numbers which have been updated since the last report to the Committee (and also since this report was written in response to the announcement around qualifications reforms and successful bids for further funding):

- 1.Change in policy.
2. learner recruitment
- 3.Diversification of Income growth
8. Planning (Capital):
9. Finance:
10. People:
- 11.Cyber/ ICT:
12. Governance:
- 13.Pandemic Impact:

A member noted the previous residual scores are not completed on the register. The DPFR said she will correct that.

A member noted that under 'risk 10: People' the residual risk is not any lower. The Principal confirmed this was the case and reflects the market at the moment as it is difficult and very competitive across the sector to recruit special teachers. The Principal and DoGov also advised what is being done to recruit new Governors.

The Chair commended the risk register as being a good and evolving document. He asked whether we should consider ranking the top 10 risks as this will help to prioritise and steer conversations. They could also be categorised or shown graphically (e.g.in a heat map). This would support the use of the risk register as a management tool. The DPFR agreed ranking would be good. In terms of a

heat map once the risk appetite is agreed the the Committee can look at which way to best present this visually. It was suggested and agreed that a summary of the top risks could be put in the Risk Register cover sheet. The Chair added that a next step could be to explore uncertainties on the back of the Risk Register and look at opportunities as these are related.

The Committee received and noted the updated College Risk Register.

1588 EVALUATION OF AUDITORS' PERFORMANCE

The Committee agreed to:

- **Recommend to the Corporation the extension of Wylie Bisset Internal Audit Service appointment for a further two years in line with the terms of the current contract.**
- **Note that McIntyre Hudson will continue as the Colleges Financial Statement Auditors in line with the current three-year contract.**

1589 DATE OF NEXT MEETING

Thursday 22 June 2023

1590 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 Register

1591 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

Review of Auditors own self-assessment against the Colleges.

20.15 Finish

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

M Eichhorn
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Signed

Date