

# Waltham Forest College



## THE CORPORATION OF WALTHAM FOREST COLLEGE

### AUDIT AND RISK COMMITTEE

#### MINUTES OF THE MEETING HELD ON 2 DECEMBER 2021

##### MEMBERS OF THE COMMITTEE

Renatta Nzomono (Chair)	present	Member
Paul Douglas	present	Member
Michael Eichhorn	present	Member
Jacqueline Young	present	Member

##### CLERK TO THE COMMITTEE

Naomi Shoffman	present	Director of Governance (DoG)
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##### IN ATTENDANCE

Janet Gardner	present	Principal & Chief Executive
Abena Rodman-Tay	present	Deputy Principal Finance & Resources (DPFR)
Graham Gillespie (GG)	present	Wylie Bisset – Internal Audit Service (IAS)
Stuart McKay (SMK)	present	McIntyre Hudson - Financial Statements Auditors (FSA)
Joseph Sale (JS)	present	McIntyre Hudson - Financial Statements Auditors (FSA)

*The following Board Members were in attendance for the items presented and recorded at minutes 1512-1514:  
Y Abidou, C Buist, P Butler, G Davies, A Hall, F Joseph, A Morris, G Soyinka, N Taylor*

#### **1512 FINANCIAL STATEMENTS 2020/21**

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 by for 2020-21 as follows:

- The Statutory annual accounts show:
  - An Improved surplus after adjustments of £2,101k
  - Balance sheet liabilities of £8,869k
  - The Pension liability reduced to £25,916k
  - The Cash position improved to £7,042k
- 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
  - Opening Balances
  - Going Concern
  - Key Financial Controls
  - Financial Reporting
- The process for the interim audit which the FSA were happy with the data validation and the data provided from the ESFA and GLA audits which provided additional assurance

- All information needed was provided by the College.
- There were some Audit misstatements and some technical adjustments changed.
- The audit has not identified any misstatements that require communicating to the governors which have not been adjusted for.
- As this is the first year the FSA have carried the audit, they looked at previous recommendation and there is nothing there of concern.

SMK then went through the audit findings recommendations and management responses.

SMK concluded the presentation saying that the audit work on the financial statements is now substantially complete and the FSA anticipate issuing an unqualified audit opinion for the year ended 31 July 2021 subject to the receipt of the approved Strategic Report and Financial Statements signed by the Board and the signed letter of representation.

SMK reported that the FSA and college team had worked well together.

Questions /Comments were invited.

There was a discussion around some of the audit recommendations made and the rationale for the management responses. The DPFR advised that some further capacity has been put in place in the MIS team to help implement the recommendations surrounding the College's ILR system.

A Governor asked what the College's position is in terms of its level of provisions and reserves compared to the sector. SMK responded that all provisions are backed up and the reasons for some colleges doing this; he said that whilst a Reserves policy is a good thing to put in place the college has outstanding financial health with a low-level of debt so it more about the nature of reserves (this was discussed further in minute 1526).

Several Governors raised the matter of a specific representation in the letter of representation. This matter was discussed at length, following which it was agreed that as this issue no longer represents a risk it should be removed from the letter.

**The draft Financial Statements Report and accounts, Key Findings and Letter of Representation for 2020-21 were noted. The final document with the amendments agreed will be submitted to the Corporation meeting on 14 December 2021 for final approval.**

**1513. ESFA Post-16 Audit Code - Regularity Audit Self-Assessment Questionnaire 2020-21 (SARQ).**

The Committee considered the report on the Corporation's self-assessment of its governance and oversight of the College during 2020/21 including COVID 19 arrangements.

The Committee reviewed and were satisfied with the SARQ responses. A Governor asked the DPFR to check and advise what the cost centred funds for any systems controls is being used for.

**The Committee noted the Regularity Audit Self-Assessment Questionnaire 2020-21**

**1514. POST-16 AUDIT CODE OF PRACTICE 2020/21**

The DPFR advised that this document is updated every year so will be presented annually alongside the financial statements.

**The Committee noted the Post-16 Audit Code of Practice 2020/21**

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

**1515. 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.

**1516. APOLOGIES FOR ABSENCE**

There were no apologies.

**1517. 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.

**1518. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 12 JULY 2021**

The Minutes of the Audit Committee meeting held on 12 July 2021 were approved by the Committee as a correct record.

**1519. MATTERS ARISING**

None

**1520. INTERNAL AUDIT ANNUAL REPORT 2020-21**

GG, the Internal Auditor, presented the Internal Audit Annual Report for 2020-21 and highlighted the following:

- There was a small change in the annual plan which was agreed with the Committee.
- All reviews give an overall strong or substantial assurance.
- There were no high-grade recommendations or anything of concern.
- Benchmarking data overall shows the College is performing better than most of clients.
- The IAS achieved 100% compliance against the KPI's.
- This is the first year providing the college with an IAS and it has gone well.

Questions were invited

A Governor asked whether looking at other clients if there were any thematic trends and areas where we should consider a deep dive. GG responded that procurement is an issue in the sector as there is a concern with compliance for procurement rules. Cyber risk is another issue and an area where the IAS have just carried out a review and given strong assurance around that. Overall as a college WFC is performing well in this area if not better than others in the sector. The Principal said that she is conscious that despite the strong assurance in the work colleges are doing to improve cyber security, JISC are saying it not a matter of if college will be attacked, it's a matter of when. The college will continue to take all controls necessary but doesn't mean we will never be attacked. The Chair agreed this is a strong point to make and that we need to make sure we can recover for such an attack and deal with it and the impact.

The Committee asked how the College is getting on with putting the recommendation in action especially low-grade ones. The DPFR responded that all Audit recommendations are put into one document that goes to SLT as a monthly agenda for monitoring. The DPFR advised that most if not all of these have been completed.

**The Committee Received the Internal Audit Annual Report 2020-21**

**1521. AUDIT REPORTS**

The DPFR advised that many external agency audits of courses have been or are being carried out at the college. The DPFR spoke to the following most recent audit reports:

**I ESFA 16 19 High Value** – this ESFA audit confirmed that no errors have been identified and also provided positive feedback.

**II GLA AEB Funding** – this audit is of adult funding which accounts for about £8m income for the college and was a very rigorous review with a positive outcome. In terms of the recommendations in Annexe B some of these have been picked up by the Financial Statements auditors.

The Committee asked the DPFR to circulate the Annexe B once it has been populated with the management response and a note of those which are being picked up by the Financial Statements auditors.

**The Committee noted the positive audit reports**

**1522. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE 2020-21**

The DoG spoke to the draft Audit and Risk Committee Annual Report for 2020-21.

The Committee were satisfied with the content of the report but noted some inconsistencies in the presentation of the figures and asked that these be tidied up in the version to be submitted to the Board.

**The Committee agreed to recommend the AUDIT AND RISK COMMITTEE Annual Report 2020-21 to the Corporation on 14 December 2021 for Approval subject to the changes agreed.**

**1523. RISK MANAGEMENT ANNUAL REPORT 2020-21**

The DPFR went through the report which captures the risk management activities for last year which covers:

- A Summary of College's risk and control systems
- Details of risk register information
- An Analysis of risk scoring – current, and July 2020 and 2021

A Governor noted that many of the risks have already been actualised and asked of the risks being managed on the risk register how many have materialised as issues. Another Governor suggested that one thing that can be done is to classify risks into strategic and operational. DPFR reiterated that this report looks at last year but these have already been reformatted for the new framework template for the new year and the next item will address that.

The Committee asked the DPFR to add a sentence to explain the reason for the 1 category high risk.

**The Committee agreed to recommend the Risk Management Annual Report 2020-21 to the Corporation on 14 December 2021 for Approval subject to the changes agreed.**

**1524. Draft Risk Strategy**

The DPFR went through the report which provides the Committee with the draft:

- Board Assurance Framework Policy
- Risk Management Strategy
- New Draft Strategic Risk Register

The Committee all agreed they were very impressed with the document. This is a very good start with the intention to collate everything into one document that is embedded in the College by defining roles and assigning responsibilities.

A discussion ensued around how risks are identified – for instance Brexit is an issue rather than the risk as it is the impact of the issue that presents various risk to funding, recruitment etc. So, going forward we need to identify true risks.

A Governor suggested some further points to include which were agreed by the committee.

The Chair emphasised the need for the corporation to set their risk appetite and a separate workshop will be held on this subject, along with a session at the Board's strategy day.

The Chair thanked the Principal and DPFR for all the hard work that has gone into producing this pack.

**The Committee noted the progress made with the draft risk strategy**

**1525. Updated College Risk Register**

The Committee reviewed the College Risk Register, noting the changes since the last report.

**The Committee received and noted the updated College Risk Register.**

**1526. Policies:**

- I. The DPFR spoke to the draft Reserves Policy and highlighted the following:
- In order to be a future proofed financially viable organisation, able to invest for growth and sustainability and provide reliable services over the longer term, the College is putting in place a reserves policy.
  - In addition, the new SORP FRS102 requires a statement from the College on its Reserves Policy to be included in the Financial Statements.
  - To avoid closure if funding difficulties were to occur, the Board of Governors has agreed to keep a certain level of financial reserves to ensure that main operations can continue for a period of 12 months. The College will continually review its financial position through forecast and modelling including sensitivity analysis for any changes in circumstances.

Questions/ comments were invited:

A Governor suggested that one could make an argument that the reserves policy is a mitigation tool.

SMK commented that it is a great step to have a policy, given that most College's do not. He queried the 12 months figure as that seems unrealistic due to the amount involved. The DPFR responded that this seems to be standard in the sector. A discussion ensued around this point and it was agreed that the main reason to have a policy is to control and mitigate risks and a cash reserves policy stating the reserves cannot go below a certain level.

It was suggested that this policy could be linked to risk appetite and the risk strategy paper or maybe combine reserves and treasury management policy (next item).

It was agreed that a base amount should be quantified in the policy.

The Committee agreed the policy needs some further work before coming back for approval. Accordingly, it was agreed to slightly re word the reserves policy statement in the financial statements to state that the College is in the process of developing one.

**The Committee received and noted the progress being made with the draft reserves policy.**

- II. The DPFR spoke to the draft Treasury management Policy and highlighted the following:
- This policy outlines the College's approach to treasury management and documents the roles and responsibilities of the Corporation, the Senior Leadership Team and the other key parties in relation to treasury management.
  - The Corporation approved a set of financial objectives for the College; achieving these objectives will secure the financial viability of the College. The financial objectives include:
    - Maintaining a sound financial base.
    - Minimum cash days in hand of 30 days.

The Committee agreed this was a good start but requires further clarification around the segregation of duties. Members were asked to share any further comments they may have with the DPFR. A revised version incorporating the suggested changes will be submitted to next meeting for approval.

The Chair conveyed the Committee's thanks to everyone for their hard work.

**The Committee received and noted the progress being made with the draft treasury management policy.**

**1527. DATES OF NEXT MEETINGS**

**Thursday 10 March 2022, Thursday 23 June 2022**

**1528. ANY URGENT BUSINESS**

None

**1529. ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

- GLA AEB Funding audit - DPFR to circulate the Annexe B once it has been populated with the management responses and a note of those which are being picked up by the Financial Statements auditors.
- Recommendation of Annual Reports to the Board for approval.
- Further work on and amends to be made to Draft reserves policy and treasury management policy prior to submission to the next meeting for approval.
- Risk Management Strategy further meetings and sessions planned to develop this for the final framework.

**1530. ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE AUDIT 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

**20.39 finish**

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

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**Signed**

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**Date**