



THE CORPORATION OF WALTHAM FOREST COLLEGE

AUDIT AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON 5 JULY 2022

MEMBERS OF THE COMMITTEE

Renatta Nzomono (Chair)	present	Member
Paul Douglas	present	Member
Michael Eichhorn	present	Member
Jacqueline Young	apologies	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)
Stephen Pringle (SP)	present	Wylie Bisset (WB)
Joseph Sale (JS)	present	McIntyre Hudson (MIH)

1543 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.

1544 WELCOME APOLOGIES FOR ABSENCE

Apologies for absence were received from Jacqueline Young due to work commitments. The Chair welcomed everyone to the meeting and asked all to introduce themselves.

1545 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.

1546 MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 14 MARCH 2022

The DoG advised, with apologies, that the wrong set of minutes had been dispatched with the papers. It was agreed she would circulate the correct version after the meeting to be approved by email.

1547 MATTERS ARISING

None

1548 INTERNAL AUDIT REPORTS 2020/21

The Committee was asked to receive and consider two internal audit reports.

Follow up - SP highlighted the following:

- The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in 2020/21 and earlier years. The review considered whether any issues are outstanding beyond the agreed implementation deadline.
- The review also considered all outstanding recommendations to provide the Board, via the Audit Committee, with independent assurance that the IAS is satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the audit action plan.
- This assignment is part of the agreed 2021/22 Annual Internal Audit Plan for the College.
- The report provides the College with a STRONG level of assurance surrounding the implementation for recommendations raised in 2020/21 and previous years. All of the 14 recommendations have been Fully Implemented.
- Overall this is a highly positive review.

A Governor asked whether there is a process for staff members to self-identify issue/risks proactively and whether this is something practiced in the sector. He explained how this process works in his organisation. And that this is a good indicator of a maturity of risk culture. SP and the DPFR explained how areas are identified for audit and how staff are involved in the process. However, self-identification is not really something that is included in the scope for auditors. SP also explained the robustness of the reviews for instance the H&S action would not have been signed off if it was not fit for purpose.

The DPFR reported that the Probation policy is due to be considered by the Corporation at its next meeting.

The Committee congratulated the team on fully implementing all 14 recommendations and the positive outcome.

Subcontracting - SP highlighted the following:

- The ESFA requires the College to obtain an annual report from an external auditor as their Adult Education Budget (AEB) and Apprenticeship funding contracts with subcontractors exceed £100,000. For 2020/21 a copy of the report needs to be sent to the ESFA.
- The purpose of this review was to ensure that the College has appropriate subcontracting arrangements in place to ensure that this was in line with ESFA and GLA Guidance and that these have been embedded throughout the whole College. The review also sought to provide assurance to the Corporation Board that:
 - Arrangements to manage and control delivery subcontractors are adequate; and
 - The College complies with guidance issued by ESFA that relates to subcontracting.
- The audit work considered the end-to-end subcontracting process and subcontracting requirements set out in Waltham Forest College's funding agreement and the funding rules for 2021/22.
- The audit process of reviewing the subcontracting controls in place took the form of:
 - reviewing the systems operated by the College;
 - appropriate walkthrough and compliance checks for the relevant areas;
 - discussion with relevant staff; and
 - sample testing where appropriate.
- The report confirms that the College has appropriate subcontracting arrangements in place that have been embedded throughout the whole College. It also confirms that the arrangements in place within the College to manage and control delivery subcontractors are in line with expectations. During the review of the 16-19, AEB and Apprenticeship subcontracted provision they found no areas where the College were not fully compliant with the guidance. No recommendations were raised for the 2021/22 work.
- From the review of the recommendations raised in 2020/21, all 5 points raised had been fully implemented.

- The certificate in respect of the 2021/22 subcontracting controls at the College, which is included within the report, is unqualified.

The Committee then discussed the other assurances and audits that take place and noted that the guidelines used are as per ESFA requirements. SP advised that his firm has been added as a preferred provider to the DfE framework in recognition of their performance in undertaking these audits. The Chair said this provides additional assurance to the College that our internal auditors are one of preferred providers for ESFA funding reviews. The Committee commended the good report.

The Committee noted the positive Audit reports

1549 UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The DPFR present the report and highlighted the following:

- All audit recommendations from College internal auditors including any audits by the ESFA are followed-up by SLT on a monthly basis to ensure that they are implemented on a timely manner.
- The College has had 4 internal audits this academic year with a total of 7 recommendations.
- 6 recommendations have been implemented with the remaining 1 not due until August 2022. There are 2 partially implemented recommendations from previous years whose dates have been revised because they are linked to the full implementations of iTrent (new HR system) and Pro-Solution (new MIS database) which is currently in progress. These will be implemented by the start of the new academic year.
- All other actions have been fully implemented.

The Chair queried the reasons for the revised deadline dates and the DPFR explained that this is due to some parts being implemented and some that are due to be implemented, this all needs to be tested as it links with pro solution which links with MIS. The Principal reiterated that this action predated both her and the DPFR's tenure and that full implementation projects have been carried out this year and final phase is due to be in place by September.

The Committee noted the positive progress made on the Internal Audit Recommendations

1550 INTERNAL AUDIT NEEDS ASSESSMENT AND FULL SCOPING FOR EACH AREA 2022/23

SP advised that he had met with the DPFR and the Principal to look at the audit areas and agreed that process for preparing the plan. He went through the report and highlighted the following points:

- The Operational Plan for 2022/23, scope and visits dates for each review
- The Summary of Internal Audit Input
- The Grading Structure used
- The Auditors Key Performance Indicators
- The list of some of the taring topics which WB would be able to offer Waltham Forest College.

SP then invited feedback from the Committee.

The DPFR suggested the Committee may wish to look at the high-level scoping to ensure it covers everything they would expect to be included and accordingly she would circulate the scoping document ahead of the field work being carried out. SP said that key objectives have been included but they do not want to sign off until the client is satisfied with the scoping. It was agreed that Members would come back with comments and any further scoping objectives ahead of finalising scope. JS commented that it is very good plan and commended the good level of collaboration to formulate it. He suggested when undertaking the funding review section, he would encourage some further discussion on the sample of learners to look at as that would also be very good evidence for the year end audit.

A member said that the review should be linked with the risk register so we could then revalidate the risk register. The DPFR said that the Plan is informed by the Risk Register and explained how the process works for the scoping of the 3-year plan which is then reviewed annually. She agreed to look at doing some detailed mapping. SP said that his firm do an assurance mapping exercise and explained how they determine from that which areas to look. The committee acknowledged the continuous improvement in the risk register and that it would be good to keep that going and use it as a live tool. There followed a discussion around how to mitigating and residual risk can be used to help determine which areas to review.

The Committee agreed to recommend approval of the plan to the Corporation

1551 FINANCIAL STATEMENTS 2021/22 AUDIT ARRANGEMENTS

JS introduced the Financial statements audit strategy and highlighted the following key points:

- The purpose of this Audit Strategy Report is to provide details of the key elements of the proposed audit strategy to “those charged with governance”.
- The Audit strategy Overview
- Under International Standard on Auditing (UK and Ireland) 260 the auditors should inform those charged with Governance of the following matters in relation to audit planning:
 - Any issues that may bear on the auditors’ independence and the integrity and objectivity of the audit engagement Partner and staff;
 - The principal ways in which the risks of material misstatement will be addressed;
 - The concept of materiality and its application to the audit approach;
 - The audit approach to the assessment and reliance on internal controls;
 - The extent to which reliance will be placed on internal audit
 - Key developments for the college and in the sector
- Auditing Practices, The Auditors Ethics, independence and fees, Understanding of internal controls, Accounting estimates
- The Audit timetable
- At the planning stage, we anticipate an overall financial statements materiality of 1% of income. All misstatements found in excess of 5% of materiality will be reported. Misstatements below this threshold will be reported if they are deemed to be material by nature.
- The Audit approach which is similar to what we were required to look at and audit as per last year.
- The factors we consider when we perform our fact-based risk assessment the key risk areas
- Significant Audit Risks Focusing on key audit risks:
 - Entitlement and Recognition of Income
 - Risk of Clawback
 - Capital Expenditure
 - Going Concern
 - Key Financial Controls and Management Override
 - Pension Assumptions – triennial valuation won’t have a major effect on 2021-22 figures but maybe next year
 - Related party transactions plan for development and external review of governance
 - Other Provisions
 - Financial Reporting

JS then expanded on the following points:

- Fraud responsibilities and representations The ISA 700 requires the auditors to be explicit in their audit report regarding the approach they have adopted to consider fraud and irregularity as part of the audit. The auditors shall ask for confirmation of their enquires of Governors in the letter of representation, which we shall be highlighted in the Audit Findings Report.
- Regarding the Accounting estimates JS explained how the template will be completed in practice and that it’s a way of engaging the Corporation
- The materiality and triviality figures are set by ISA benchmarks however the concern is that different audit firms will apply this arbitrarily and so would have different impact on each college, so the figures need to be underpinned with a qualitative statement.

JS concluded his presentation and advised that the ILR audit had gone well. He invited questions.

- The Principal noted that the fees have gone up, but the college’s income has not and that she would not expect another increase next year and asked whether there is anything additional that could be provided by the MHA to demonstrate value for money. JS responded that he wanted to ensure transparency around the increase in Fees, he reiterated that MHA adopt a controls based approach which is unusual and more time consuming so that they are able to provide governors a higher level of assurance and with other ways of doing things so he sees that as a form of added value, he is also happy to build in training. In addition, MHA are available for things like discussing the reserves policy and calls outside of the audit cycle. The Committee discussed the fees and the importance of the College ensuring they were happy with the performance of MHA as their auditors. JS explained that, whilst developed in a charity context, MHA have produced a How to assess the performance of your auditor checklist which the Committee may want to consider reviewing and completing. The Chair asked that this be provided to the Committee.
- Regarding Auditing Practices, a Governor said he was interested to know if MHA undertake scenario planning and forward planning. JS responded that this is done as part of the going concern test as they need to be forward looking. It is not done as a separate piece of work but maybe it could be to identify key liabilities and he agreed to discuss this with the senior partner

- A member suggested Pressure testing areas that are out of our control such as pension liability and the - Principal concurred with this suggestion.
- The Chair asked which of the risk areas are common to all colleges and which to ours. JS advised that those tagged in red are defined by ISA and must be audited by every college. The Principal re-iterated that some risks relate to how well we recruit for instance ours has been strong which will mitigate other risks.

The Committee Noted the Financial Statements 2021/22 Audit Arrangements

1552 CONFIRMATION OF FINANCIAL HEALTH GRADING 2021/22 – FOR INFORMATION

The Committee Noted the Confirmation of The College’s Financial Health Grading 2021/22 as OUTSTANDING

1553 POLICIES

8.1 Treasury Policy

The DPFR thanked Mr Eichhorn for his help in drafting this policy; she then spoke to the paper and highlighted the following:

- The policy outlines the College’s approach to treasury management and documents the roles and responsibilities of the Corporation, the Senior Leadership Team and other key parties in relation to treasury management.
- Cash days aligning to reserves policy in conjunction with Risk appetite in RM
- The policy gives a guide to the minimum amount of cash reserves that should be maintained in the College bank account before any investment decision is made. This policy should be read in conjunction with the College’s Risk Appetite Strategy moving forward ones approved.

A discussion ensued around the limit of protection on monies being deposited with each institution. The DPFR confirmed that the amount is £85k per institution but there is a minimum investment amount required in order to gain any benefit.

8.2 Reserves Policy –

The DPFR reminded the Committee that this policy was approved by the Corporation at its March meeting subject to the review of the reserves amount at this meeting. The DPFR highlighted the following:

- The free cash reserves amount in the policy of £3.5m is based on the sector norm of having a minimum of 3 months of pay cost and some allowance towards non-pay. This is also in line with the FEC benchmark of maintaining a minimum of 25 cash days all months of the year.
- Comments from external auditors have been included in drafting the policy.

The Committee discussed and agreed that the following changes:

- To rename policy ` free reserves policy’ with a clear definition within on what `free reserves` mean
- That the basis for calculating the reserves amount be defined within the policy itself and to then circulate the amended policy to the committee first ahead of circulating to the whole corporation.

The Principal commented that this is the first time the College has been in a position to have these two policies and many other colleges don’t have these. The content is important as a starting point and will be reviewed annually or more frequently if needed.

The Committee Agreed to

- i. **Recommend approval of the Treasury Policy**
- ii. **The changes to the updated Reserves Policy to be circulated to the Corporation for information**

1554 COLLEGE RISK REGISTER

The DPFR presented the Risk Register showing pre and post mitigation scorings, and controls in place to mitigate risks. The DPFR advised the Committee of the Key risk movements and updated activities as follows:

- Internal funding audits on learners have been Introduced to provide additional assurance
- Planning has been updated to reflect changed government policy to achieve net carbon zero by 2030.
- The Impact of reclassification by ONS
- A full cyber security review is to be performed by JISC.

There was a discussion around the pros and cons of the possible ONS reclassification. The Principal and DPFR explained that the risk scores are subject to change as we still don't know enough details such as timing etc. SP said that this is already in place in Scotland and described some of the issue that have arisen from the change.

JS suggested and it was agreed that the change to risk 2 re learner targets – should be in the management control column and that a review of outcomes should be coming to this Committee.

JS queried the nett and gross score to Risk 10 as they are the same– The DPFR said she will check this.

A member asked that when the risk appetite has been agreed that it is included as a management control and for stress testing purposes. The Principal advised that she will be circulating an updated risk appetite statement in due course for discussion.

The Committee agreed that the College Risk Register should be updated with the changes above ahead of going to the next Corporation meeting

Mr Douglas left the meeting thus rendering it inquorate. All present were happy to carry on the basis of the rest of the items to be considered were for discussion not decision.

1556 COMMITTEE BUSINESS

The Committee undertook the annual review of the Committee's Terms of Reference and agreed the recommended changes.

The Committee then reviewed, discussed and agreed the content of the evaluation questionnaire, which members were asked to complete and return outside of the meeting. All responses will be collated, and a grade determined accordingly. Ultimately the responses/outcomes to all the Committees' Evaluation Questionnaires and follow up discussion will be incorporated within the annual Governance Self-assessment.

The Committee:

- Agreed to recommend the Committee's Terms of Reference, to the Corporation for approval.
- Noted the report

1557 DATE OF NEXT MEETING

Autumn Term – TBA

1558 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
- Reserves Policy
- Review of performance of Auditors duration

1559 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

- Documents for approval to Corporation meeting 12 July 2022.
- Completion of self-assessment questionnaires.

20.25 finish

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

..... Michael Eichhorn 1st December 2022

Signed

Date