



**UNCONFIRMED MINUTES**  
**THE CORPORATION OF WALTHAM FOREST COLLEGE**  
**AUDIT COMMITTEE**  
**MINUTES OF THE MEETING HELD ON 6 JULY 2017**

**MEMBERS OF THE COMMITTEE**

Youness Abidou	apologies	Member
Renatta Nzomono	present	Member
Terry Wheeler (Vice Chair)	present	Member
Graham Woolnough (Chair)	present	Member

**CLERK TO THE COMMITTEE**

Val Bartlett Clerk to the Corporation

**IN ATTENDANCE**

Penny Wycherley	present	Principal & Chief Executive
Peter Doble	present	Director of Finance
Leisyyen Keane	present	Scrutton Bland (Internal Audit Service)
Toby Wilson	present	Grant Thornton (Financial Statements Auditors)

**1317 ATTENDANCE OF THE PRINCIPAL AND OTHER COLLEGE STAFF AT THE MEETING OF THE AUDIT COMMITTEE**

The Committee agreed that the Principal and the Director of Finance should be invited to attend the meeting.

**1318 APOLOGIES FOR ABSENCE**

Youness Abidou – work commitment

**1319 DECLARATION OF INTERESTS**

The Members of the Committee confirmed that there were no issues included on the agenda for the meeting in which they had a personal interest relative to the College.

**1320 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 29 NOVEMBER 2016**

The Minutes of the Committee meeting held on 29 November 2016 were approved by the Audit Committee and signed by the Chair as a correct record.

**1321 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 29 NOVEMBER 2016**

There were no other matters arising from the Minutes of the meeting held on 29 November 2016.

***The Committee agreed to move directly to Agenda Item 8***

**1322 FINANCIAL STATEMENTS 2016-17- AUDIT ARRANGEMENTS**

The Financial Statements (FS) auditor reported on the arrangements for the Audit Plan of the College for the year ending 31 July 2017.

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)
- Reasonably possible risks identified; grant income, tuition and fee income, property, plant and equipment, employment remuneration, creditors/operating expenses, pension scheme as asset and liabilities (GT will use their own Actuaries to benchmark pension assumptions)

The Audit Committee concurred that the main audit areas had been identified and that there were no other additional areas for review.

#### **18:40 TW joined the meeting**

The audit approach to materiality was discussed and it was noted that an established benchmark of c2.5-3% of turnover is used with the actual figure to be finalised during the fieldwork.

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.

Attention was then drawn to Appendix A; Sector Developments and Appendix B 'wider work' and Not For Profit (NFP) Connect.

The Audit Committee received and noted the arrangements for the Audit Plan for the College for the year ending 31 July 2017.

#### **1323 INTERNAL AUDIT REPORTS**

The Audit Committee was asked to receive and consider Internal Audit Reports on (1) Risk and Assurance Progress Report, (2) Budgetary Control, (3) Subcontracting SFA External Controls, (4) Learner Records, (5) Staff Performance Management (6) Follow up on previous recommendations.

Members were reminded that there are 5 Assurance Levels provided by the Internal Auditors; Strong (1 of 5), Significant (2 of 5), Reasonable (3 of 5), Limited (4 of 5) and None (5 of 5).

##### ***Risk and Assurance Progress Report***

It was noted that the planned audits of Safeguarding, Prevent and Equality and Diversity (E&D) for 2016-17 had been cancelled at the request of College Management due to favourable Ofsted comments. An audit of Learner Records was subsequently added pending a possible ESFA funding audit and 2 audit days have been carried forward to 2017-18.

The Committee noted that all Internal Audits for 2016/17 have been completed and reported upon.

##### ***Budgetary Control***

The Assurance Level for this audit was Strong (1 out of 5).

The Committee was informed that the audit area objective was to review the processes, rigour and accountability followed during the development of the College's 2016-17 budget, including how in-year forecasts are determined and reported and performance is monitored and controlled.

Attention was drawn to the projected deficit of £400k identified in September 2016, the monthly budget forecasts and monitoring processes and that the expected budget deficit had reduced to £250k as at May 2017. This supports the audit conclusion that there is a robust framework in place and that controls are working well.

The Director of Finance informed the Committee that a further reduction in the deficit to c. £75k is to be reported to the Corporation on 17 July.

The 1 Low Recommendation regarding documentation to support Managers where they have devolved budgets will be implemented by April 2018 as the proposed merger - which would have impacted on the current system - is no longer going ahead.

### **Subcontracting SFA External Controls Assurance**

The Assurance Level for this audit was Significant (2 out of 5).

The Committee was informed that the audit area objective was to provide External Assurance in respect of the SFA's prescribed assurance subcontracting framework.

The College works with 10 subcontractors with a total value of provision for 2016-17 of c. £3m which is c. £1m higher than in 2015-16.

The audit considered that the subcontracting framework within the College continues to be robust and that the Internal Auditors will, as required by the SFA, provide a certificate confirming that the report provides satisfactory assurance.

It was acknowledged that of the 3 Low Risk Recommendations, only 1 remains (relating to due diligence and credit risk reports from a credit agency) to be carried forward.

### **Learner Records**

The Assurance Level for this audit was Reasonable (3 out of 5).

The Committee was informed that the audit area objective was to provide assurance that the systems which are relied upon to make an accurate Individualised Learner Record (ILR) return are adequately managed and controlled and fully comply with the latest funding requirements.

Both College learners and Partners Employer- Responsive learners were included in the audit. The audit identified some areas for improvement regarding compliance with the ESFA guidance and 2 medium and 4 low risk recommendations were made.

The Director of Finance indicated that the College has accepted all of the recommendations and that these are a very helpful reminder to keep ensuring that systems must be adhered to.

In response to a Governor's question if the plans are in place for the recommendations to be implemented by October, assurance was provided that the relevant Managers are aware of the issues, the need for accuracy and are working on the recommendations.

### **Staff Performance Management**

The Assurance Level for Risk Management was Reasonable (3 out of 5).

The Committee was informed that the audit area objectives were:

- To confirm that the performance of College staff is being adequately monitored and that poor performance is identified and addressed
- To ensure that staff sickness absence is adequately managed and controlled

There were 2 medium and 4 low risk recommendations made.

It was noted that the College's sickness absence rate for 2015-16 was 2.65% and an average of 5.6 working days lost per employee. The benchmarking data provided by the AoC indicated an average sickness absence rate across the sector of 3.67% and an average of 8.1 working days lost per employee.

The audit identified that HR had implemented some effective processes to ensure that probationary reviews and appraisals are completed. However, they are not being consistently applied for all staff and that the quality of the targets set during these reviews and appraisals were inconsistent and in most cases not considered to be SMART.

The Principal responded that the College is looking at systems to provide reminders e.g. Task in Outlook, Managers are to be trained in setting SMART targets and that responsibility for Appraisals is to be transferred from Staff Development to H.R. at the beginning of September. In addition, there is now a two tier appraisal form in place which offers a more pragmatic approach to appraisals for relevant support and teaching staff.

The Principal reported that a recent analysis of sickness absence (long term stress) has seen a 44.6% reduction over the last 12 months. Meanwhile, a staff survey is currently being carried out and the findings will be reported back to Governors in due course.

### ***Follow-up of previous recommendations***

The Committee noted that the College has made satisfactory progress in implementing previous recommendations.

Of the 17 recommendations, 8 have been implemented, 1 is in progress, 1 part implemented, 5 not implemented and 2 recommendations have been superseded.

A discussion was held in particular concerning the recommendation regarding the Candidate Interview Scoring Form and the use of a numeric approach. It was agreed that selection can be quite complex including objectivity and weighting, and the auditors agreed to re-word their recommendation to reflect this. The Principal acknowledged that time needs to be taken to revise this process and train staff including a change of approach towards mapping against competencies.

The point was also made that staff turnover at the end of the academic year does cause concern and the fact that no pay award has been made for a number of years is not helpful to retaining or recruiting staff.

The Audit Committee agreed to receive and note the Internal Audit reports.

### **1324 INTERNAL AUDIT ASSURANCE STRATEGY AND ANNUAL PLAN 2017-18**

The Audit Committee was asked to receive and consider the Internal Audit Assurance Strategy and Annual Plan for 2017-18.

The Committee was reminded that the Post 16 Audit Code of Practice (ACOP) states that the Audit Committee should produce an annual report for the Corporation providing opinions on Assurance, Risk Management, Governance, Internal Control, Value for Money, Safeguarding of Assets and Solvency.

The College's Risk Register has been mapped against the Internal Audit coverage and assurances and a proposed plan for 2017-18 has been drawn up.

In response to a Governor's question regarding the Audit Committee's opinion to Corporation, it was noted that the areas to be covered in the audit plan will provide sufficient information to provide an opinion.

A Governor queried Risk Management requirements and the auditors indicated that historically risk management has been very strong at the College, assurance may be placed on prior audit work and that risk is always considered during the audit areas under review.

The Committee noted the proposed summary Internal Audit Plan for 2017/18 which is to be presented to the Corporation on 17 July 2017 for approval.

### **1325 RISK REGISTER – UPDATE**

The Audit Committee was asked to receive and consider the College's Risk Register.

It was acknowledged that the Risk Register is a 'live' document and is to be reviewed again next week at the Risk Management Group meeting.

The Committee noted all of the amended risks and updated actions.

Attention was drawn to the top risk of collaborative arrangements to ensure sustainability which has been reworded to replace merger as a risk.

As merger is no longer going ahead, the College's Strategic Plan now needs to be updated as it ends in 2017.

A new risk is the possibility that the College may recruit more student numbers in September than planned for – Welcome Day saw an increase of 40% on last year - and this may impact on staffing, quality issues and potential loss of students if it is not carefully managed.

The Audit Committee acknowledged that there are to be significant changes in two senior management positions in the coming months and requested this be reported to the Risk Management Board for addition to the Risk Register.

It was agreed that the Risk Register be presented to the Corporation at its meeting on 17 July 2017 and that, in particular, it considers the actions required to mitigate the risk regarding these senior positions.

The Audit Committee noted the update on the College Risk Management Register.

**1326 PROPOSED CALENDAR OF MEETING DATES -2017/18**

The Audit Committee noted the dates of its meetings for 2017/18:

- Tuesday 21 November 2017
- Tuesday 20 March 2018
- Thursday 21 June 2018

**1327 POST 16 AUDIT CODE OF PRACTICE 2016 to 2017**

The Audit Committee received and noted the Post-16 Audit Code of Practice 2016-17.

**1328 ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE AUDIT COMMITTEE**

The Committee noted that the agendas for future meetings will 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 2016-17
- Review of performance of Financial Statements auditors

**19:40 LK & RW left the meeting**

**1329 APPOINTMENT OF INTERNAL AUDIT SERVICES**

The Director of Finance informed the Committee that the future procurement of audit services was put on hold pending the outcome of merger negotiations.

As the College is now to remain a standalone organisation, the 5 year contracts with both Scrutton Bland and Grant Thornton will end after the 2017-18 academic year.

It was noted that:

- There is now no requirement to have differing audit services
- The current contracts can be rolled forward on an annual basis
- A tendering exercise may be considered to test the market

The Committee discussed the above options and agreed that in the light of current matters for the Corporation’s attention this issue be brought back to the Audit Committee meeting in November for further reflection but that meanwhile recommend to the Corporation that the current contract be rolled on.

**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**