



UNCONFIRMED MINUTES

THE CORPORATION OF WALTHAM FOREST COLLEGE

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 9 DECEMBER 2019

MEMBERS OF THE COMMITTEE

Youness Abidou (Vice Chair)	present	Member
Renatta Nzomono	present	Member
Kapil Wadhvani	present	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	Interim Deputy Principal Corporate Resources (IDPCR)

1435 APPOINTMENT OF AUDIT COMMITTEE CHAIR AND VICE CHAIR 2019-20

The Clerk reminded the Committee that at the Audit Committee meeting held on 21 November 2019, Youness Abidou was elected as Chair of the Audit Committee and Graham Woolnough was elected as Vice Chair of the Audit Committee for the academic year 2019-20.

The Audit Committee reconsidered the above appointments taking into consideration the current position of the college and the involvement Graham Woolnough has had to date in leading on an active role in reviewing the ongoing financial matters currently being considered.

The Audit Committee concurred that the appointment of a new Audit Committee Chair be postponed until a more appropriate time in 2020.

The appointments of Graham Woolnough as Audit Committee Chair and Youness Abidou as Audit Committee Vice Chair are to be reported to the Corporation at its meeting to be held on 10 December 2019.

1436 APOLOGIES FOR ABSENCE

There were no apologies.

1437 ATTENDANCE OF THE PRINCIPAL, INTERIM DEPUTY PRINCIPAL CORPORATE RESOURCES (IDPR) AT THE MEETING OF THE AUDIT COMMITTEE

The Committee agreed that the Principal and Interim Deputy Principal Corporate Resources (IDPCR), should be invited to attend the meeting.

1438 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.

1439 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 NOVEMBER 2019

Members of the Audit Committee agreed to review the draft Minutes - which were circulated at this meeting - and to provide the Chair and Clerk with their comments before these Minutes are presented to the next Audit Committee meeting for approval.

1440 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 NOVEMBER 2019

A Governor queried the status of the Risk Register which has been submitted to the Corporation for its meeting on 10 December 2019.

The IDPCR informed the Committee that due to pressure of workload and time constraints, the Risk Register had not yet been updated in order to reflect the changes to the format as recommended by the Audit Committee on 21 November 2019.

Assurance was provided to the Committee that the items in the Risk Register will be re-prioritised alongside the Financial Improvement Plan.

There were no other matters arising from the draft Minutes of the meeting held on 20 June 2019.

1441 CALENDAR OF MEETINGS – 2019-20

Members noted the dates for the Audit Committee meetings in 2019-20:

- Tuesday 10 March 2020
- Thursday 11 June 2020

1442 DRAFT FINANCIAL STATEMENTS 2018-19

The Audit Committee was asked to receive and consider an updated draft of the Financial Statements for 2018-19.

The IDPCR informed the Committee of the following:

The first issue related to the treatment of the role of the IDPCR as a Senior Post Holder. The Financial Statements now show this position as a substantive employee and the fees which were paid to the agency are now detailed as a separate item including an explanation (page 42 (c)).

The second issue related to 'Going Concern'.

The Committee was reminded that the College's Financial Statements are prepared on the basis of it being a 'Going Concern' which includes consideration of the Financial Statements' working papers and assumptions which the auditors, Grant Thornton, must agree with including the rationale behind this assessment.

The College's financial health grade has deteriorated from 'Good' to 'Requires Improvement' in 2018/19. The Senior Management Team have kept their Barclays Bank Relationship Director fully informed of this position and explained that the College is very likely to need a short-term overdraft facility for the period March 2020 to mid- April 2020 as, in line with many other Colleges, the operating cash flow becomes challenging during this period.

The College has, therefore, formally requested an overdraft facility from Barclays for this period and Barclays Credit Team will now review this request taking into account:

- The October 2019 Management Accounts
- The College Cash flow forecast until July 2021
- The updated ESFA Financial Plan for 2019/20 and 2020/21

The Committee was informed that a response from Barclays is expected by the end of next week but that there is also a possibility that Barclays may then request more information before a decision is made.

If a positive decision is made by the end of next week (20 December 2019), then Grant Thornton can support the findings for the College as a Going Concern and the Corporation can sign off the Financial Statements which will then be submitted to the ESFA by the deadline date of 31 December 2019.

The Audit Committee then noted and discussed a number of permutations.

The Auditors require a certificate from the ESFA confirming the funding as reported in the Financial Statements. This certificate is expected by tomorrow.

The College is awaiting approval of an overdraft facility and expects this to include a standard set of covenants.

If Barclays raise more questions or additional conditions before agreeing to a College overdraft, then in all probability, the deadline date of 31 December 2019 to file the accounts to the ESFA would be missed. If the accounts are filed by the deadline date without the overdraft in place, then the Auditors, Grant Thornton, would include a material uncertainty clause in the accounts, which, in effect, remains permanently in the published Financial Statements.

The Committee then discussed the above in terms of risk and agreed that the ESFA be updated on the current overdraft position and that there may be a slight delay in filing the College accounts in order to get a 'clear' statement from Grant Thornton.

The Committee requested that the Senior Team prepares a clear communication plan and timeline for the next few weeks in order to update the Corporation at its meeting on 10 December and to ensure full transparency with the ESFA. It was noted that the ESFA are coming in to the College at the end of January 2020 to meet with the Principal and the new IDPCR.

The question was posed as to the strategies if the overdraft is not approved. The Committee was informed that actions already being taken include reducing operating expenditure, reducing capital expenditure and consideration of a request for a 'repayment holiday' for the March 2020 Bank quarterly payment and to defer this until June 2020.

A Governor questioned if the commercial terms for the overdraft with Barclays had been established, but it was noted that the College has not yet received an indicative rate.

A Governor suggested that as the ESFA funding profile is well established with its 'low points' in March and April, in future, it would be easier to agree an annual overdraft facility with the Bank to cover this period when the College finances are in a more stable position.

Having reviewed the cash balance profile, a Governor then queried if the proposed overdraft amount was actually sufficient in order to provide a clear buffer and the necessary level of comfort required.

It was agreed that the Senior team contact Barclays on Wednesday 11 December 2019 to ascertain the status of the overdraft application and, if possible, to increase the amount.

The Audit Committee agreed to recommend to the Corporation that the Financial Statements be approved for signing subject to confirmation of the Bank overdraft facility and 'Going Concern'.

If the bank overdraft and Going Concern statement is not able to be confirmed by the end of the year i.e. 31 December 2019, then the submission of the College's Financial Statements be deferred until this is established and, meanwhile, to keep the ESFA fully apprised of the situation.

1443 ANNUAL REPORT OF THE AUDIT COMMITTEE – 2018-19

The Committee was asked to receive and comment on a working draft of the Annual Report of the Audit Committee for 2018-19 prior to its submission to the Corporation on 10 December 2019.

As a result of the ongoing matters regarding a bank overdraft facility and Going Concern, the Annual Report of the Audit Committee was unable to be confirmed.

The Audit Committee requested that the following be added to this Annual Report in order to provide some additional context:

- The College's application for a short-term overdraft facility in March and April 2020 is currently being reviewed by Barclays.
- Barclays' decision is expected by 20 December 2019, and the Audit Committee agreed to recommend to the Corporation at their meeting on 10 December, that it should wait until Barclays have notified the College of their decision, before signing and approving the 2018/19 financial statements.
- Risk Considerations;

The College has an action plan in place to improve its operating cash generation and its cash days held (using the ESFA cash days formula). The action plan includes the following:

- i. Reduced capital expenditure in 2019/20 by £250k, to essential items only, whilst ensuring that the student experience is not compromised.
- ii. Improving the budgeted operating surplus by £240k from £137k to £377k in 2019/20.
- iii. The combined effect of the actions will improve the College's cash days by 7 days, by 31 July 2020.

The Committee then discussed the capital expenditure budget noting that this is to be reduced by £250k and that it will be used to acquire only essential, or business critical items.

The contingency has been reduced from £50k to £25k and the small plant and equipment fund bid totalling £300k has been removed from the capital budget. Assurance was provided that neither item should have a detrimental effect on the student experience or their achievements.

The Audit Committee was assured by Senior Management that the College's financial position will improve in 2019/20 and that the forecasts contained within the evaluation of the College as a Going Concern, indicate that it will return to ESFA financially 'Good' in 2019/20 and remain at 'Good' in 2020/21.

The Clerk is to update the draft Annual Report of the Audit Committee once the Going Concern has been resolved.

The Committee noted and agreed the content of the draft Annual Report of the Audit Committee for 2018-19.

1444 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
- GDPR
- Review of the Performance of the Financial Statements Auditors
- Procurement of audit services

1445 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

- To inform the Corporation that Graham Woolnough was duly appointed Chair and Graham Woolnough as Vice Chair of the Audit Committee for 2019-20.
- To inform the Corporation of:
 - o The College's application for a short-term overdraft facility in March and April 2020 is currently being reviewed by Barclays.
 - o Barclays' decision is expected by 20 December 2019, and the Audit Committee agreed to recommend to the Corporation at their meeting on 10 December, that it should wait until Barclays have notified the College of their decision, before signing and approving the 2018/19 financial statements.
- Subject to the Financial Statements, and in particular 'Going Concern' being satisfactorily resolved and duly confirmed to then present the 2018-19 Annual Report of the Audit Committee to the Corporation and: -
 - o Request the Corporation and the Chief Accounting Officer to consider the 2018-19 Annual Report of the Audit Committee;
 - o The Audit Committee recommends the Financial Statements 2018-19 and Letter of Representation to the Corporation for approval.

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