



## UNCONFIRMED MINUTES

### THE CORPORATION OF WALTHAM FOREST COLLEGE

#### AUDIT COMMITTEE

#### MINUTES OF THE MEETING HELD ON 16 DECEMBER 2020

#### MEMBERS OF THE COMMITTEE

Michael Eichhorn	present	Member
Renatta Nzomono	apologies	Member
Graham Woolnough (Chair)	present	Member
Jacqueline Young	apologies	Member

#### CLERK TO THE COMMITTEE

Val Bartlett	Clerk to the Corporation
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#### IN ATTENDANCE

Janet Gardner	present	Principal & Chief Executive
Andy Cottrell	present	Deputy Principal Corporate Resources
Abena Rodman-Tay	present	Director Finance & Estates
Stephen Dean	present	Grant Thornton
Stephen Pringle	present	Wylie Bisset

#### **1470 APPOINTMENT OF AUDIT COMMITTEE CHAIR AND VICE CHAIR 2020-21**

Renatta Nzomono was proposed as Chair of the Audit Committee and Graham Woolnough proposed as Vice Chair of the Audit Committee for 2020/21.

These appointments are to be reported to the Corporation at its meeting to be held on 21 December 2020.

**In the absence of Renatta Nzomono, Graham Woolnough Chaired this meeting.**

#### **1471 ATTENDANCE OF THE PRINCIPAL AND OTHER COLLEGE MANAGERS AT THE MEETING OF THE AUDIT COMMITTEE**

The Committee agreed that the Principal, Deputy Principal Corporate Resources (DPCR), and the Director of Finance Estates (DF&E) be invited to attend the meeting.

The Chair asked all to introduce themselves and due to Covid-19 restrictions welcomed everyone to the TEAMS remote meeting.

#### **1472 APOLOGIES FOR ABSENCE**

Apologies had been received and accepted from:

Renatta Nzomono- work commitments  
Jacqueline Young – childcare

There were no other apologies.

**1473 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.

**1474 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETINGS HELD ON 8 JULY 2020**

The Minutes of the Audit Committee meeting held on 8 July 2020 were approved by the Audit Committee and signed by the Chair as a correct record.

**1475 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 8 JULY 2020**

There were no matters arising from the Minutes of the meeting held on 8 July 2020 which were not already covered on this agenda.

**1476 CALENDAR OF MEETINGS – 2020-21**

Members noted the dates for the Audit Committee meetings in 2018-19:

- Tuesday 9 March 2021
- Thursday 10 June 2021

**1477 AUDIT COMMITTEE TERMS OF REFERENCE – ANNUAL REVIEW**

The Audit Committee agreed that, as a result of the recent FEC Diagnostic Assessment, the following be added to the Terms of Reference:

*Members of the Audit Committee may not also be members of the Corporation Finance Working Group or a Corporation Finance Committee.*

The Audit Committee noted that there were no other amendments required and agreed to recommend its Terms of Reference 2020-21 for approval to the Corporation for immediate application.

**1478 FEC VISIT 7-8 OCTOBER 2020 – MATTERS ARISING**

- Implementation of the recommendations from the Financial Statements audit 2018/19
  - Comments on these actions are included in the Management Letter 2019/20 and the College has put controls in place to action these where necessary
- Fixed Assets
  - Added to the Internal Audit Plan and the Internal Auditors have now reviewed the fixed asset controls and the month-end closedown process
- Re-tender of Financial Statements auditors
  - An agenda item for this meeting
- Risk Register review
  - An agenda item for this meeting

**1479 POST-16 AUDIT CODE OF PRACTICE 2019/20**

The DPCR drew the Committee's attention to this Audit Code and the responsibilities of the Corporation and the role of the Audit Committee.

The Corporation had received the Audit Code of Practice at its meeting held on 29 September 2020.

The Audit Committee noted the ACOP 2019/20.

**1480 FINANCIAL STATEMENTS 2019-20 AND AUDIT FINDINGS REPORT**

The Audit Committee was asked to receive and consider the draft Financial Statements for 2019-20 and the Audit Findings Report as prepared by the Financial Statements Auditors, Grant Thornton.

The final versions of these documents are to be submitted to the Corporation for consideration and subsequent approval at the Corporation meeting to be held on 21 December 2020.

The DPCR then provided the Committee with the highlights of the draft annual accounts:

- The College generated a deficit before other gains and losses in the year of £562k (restated 2018/19 deficit of £877k) from total income of £22,167k.
- Excluding FRS102 pension adjustments and restructuring costs, there was a much-improved Operating Surplus of £411k.
- The 2018/19 result has been restated due to prior year adjustment relating to depreciation and write-off of fixed assets.
- Balance Sheet liabilities of (£12,619k)
- Pension liability increases to £27,656k.
- Cash position improved to £1,491k with net cash generated of £944k in-year.

The Committee was informed that the Local Government Pension Scheme (LGPS) liability had been discussed in detail at the recent Finance Working Group meeting including risks and impact. It was noted that pension liability is a common issue amongst many Colleges nationally. It is significant that the College does not have a large amount of Bank debt and that this is viewed as a positive when considering Going Concern.

The College is indicating a 'Good' Financial Health position.

The Financial Statements Auditors then presented the Audit Findings Report and Governors' attention was drawn in particular to the points as detailed below.

The work of the auditors is substantially complete, and it is anticipated that the audit and regularity reports will be unmodified for the College.

Due to the impact of Covid on the sector in general, the auditors have had to undertake more rigorous work and additional steps in order to meet the regulators requirements.

The significant risks identified in the Audit Plan were revenue recognition, management override of controls, pension scheme and Going Concern. All areas of review have been largely completed satisfactorily, with only the accounting treatment of the Erasmus funding still to be confirmed.

The Going Concern position has much improved compared to last year and there is nothing apparent of immediate concern.

A prior period adjustment of £520k was made to the opening reserve balances as at 1 August 2019 in respect of a number of items of fixed asset expenditure dating back to 2014/15 which had either not been depreciated or required write-off. The College had notified and discussed this issue with the ESFA.

A Governor queried why Grant Thornton had not picked up this prior year issue during their testing. The auditors responded by saying they had gone back and reviewed this issue and that the sampling reviews they undertook were based on relevant software packages and had therefore been appropriate.

The assessments of the significant findings – revenue recognition, estimates and judgements and Going Concern - were all rated 'green'.

The Members of the Audit Committee confirmed that no matters in relation to fraud had been identified.

The audit approach to Regularity was noted.

The internal controls assessments were highlighted regarding Aged debts and Balance Sheet Accounts. Governors requested that in particular, the DF&E review the issue regarding uncleared cheques.

Of the 4 issues regarding internal controls which were outstanding from the prior year, 3 had now been cleared. The remaining issue was around some deferred capital grants and their original agreements dating back 10-15 years. The DF&E is to continue to follow this up and assess any risk.

The adjusted mis-statements identified to date were noted.

The Committee noted the audit fees, non-audit fees and independence of the auditors.

The End of Year financial position for 2019/20 is as follows in summary terms and information that is more detailed is to be found in the Financial Statements:

<b>Operating surplus/(Deficit)</b>		<b>Restated</b>
	<b>2019/20</b>	<b>2018/19</b>
Total Income	22,167,000	21,892
Total Expenditure	22,729,000	22,769,000
(Deficit) before tax	(562,000)	(877,000)
Add back: Restructure costs	220,000	140,000
Add back: FRS102 pensions adjustment	753,000	376,000
Adjusted operating surplus/(deficit)	411,000	(361,000)

A Governor queried the issue around pension liability and whether there may be any insurance cover the College may access for this and the DPCR is to explore this further.

The Self-Assessment Regularity Questionnaire was then noted and that an Annex A had been added to deal with the accounting requirements arising from Covid-19 in particular.

The Chair thanked the Auditors and the Finance Team for their hard work in preparing the Financial Statements and Audit Findings Report.

The auditors extended their gratitude to the Finance Team for their help and assistance.

The Audit Committee:

1. Received the draft Financial Statements for 2019-20 and the associated draft Audit Findings Report prepared by Grant Thornton;
2. Noted the 2019-20 projected out-turn of an adjusted operating surplus of £411,000
3. The Audit Committee recommends the Financial Statements 2019/20 and Letter of Representation to the Corporation for approval at its meeting on 21 December 2020

#### **1481 INTERNAL AUDIT ANNUAL REPORT 2019-20**

The Audit Committee was asked to receive and consider the Internal Audit Annual Report 2019-20.

The Internal Auditors informed Members that, in their opinion, for the year ended 31 July 2020, the College;

- Has adequate and effective risk management processes;
- Has adequate and effective governance processes;
- Has adequate and effective control processes; and
- Has adequate and effective efficiency, effectiveness.

These opinions will contribute towards the assurances used by the Audit Committee in its Annual report to the Corporation.

The Committee noted the summary of the internal audit findings for 2019/20 and that there had been no 'high' risk, recommendations, 2 'medium' risk recommendations and 16 'low' risk recommendations.

Governors then discussed the recommendations for 2018/19 and noted that, due to Covid-19 and lockdown, the focus of the auditors had concentrated on the medium recommendations of which the majority have now been cleared.

Assurance was provided that the GDPR recommendations form part of the new audit framework and for 2020/21.

A Governor queried as to how audit recommendations are closed off with reference to internal quality assurances. It was noted that recommendations are made, management then indicate completion dates and during follow-up audits evidence is provided to inform assurances.

Audit days have been included in the audit plan in order to review all outstanding recommendations and at the request of the Audit Committee, these will be reported back via an audit tracker progress report at each Audit Committee meeting.

The audit benchmarking data (using their F.E. client base) was noted.

The Audit Committee agreed to receive the Internal Audit Annual Report for 2019-20 and that it is to be presented to the Corporation at its meeting to be held on 21 December 2020.

#### **1482 INTERNAL AUDIT REPORTS 2020/21**

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

##### **GDPR**

The purpose of this review was to consider whether there are appropriate arrangements in place for the management of personal data at the College.

The overall conclusion from this audit was 'strong' assurance with five low grade recommendations to improve control and sixteen areas of good practice highlighted.

The Committee discussed the very pleasing findings in light of this audit having been brought forward due to previous concerns raised.

The Committee was also informed that guidance regarding which roles in College may also include being the GDPR lead officer, is to be reviewed in due course.

##### **Health and Safety**

The purpose of this audit was to review the health & safety (H&S) arrangements in place at the College and perform a detailed review of a sample of policies ensuring these are in line with good practice, have been communicated effectively, and effective processes are in place to monitor compliance with these policies.

The overall conclusion from this audit was 'substantial' assurance with two medium grade recommendations and two low grade recommendations to improve control and there were thirteen areas of good practice highlighted.

In terms of benchmarking, it was noted that the College has a lower number of recommendations (4) compared to (6) those colleges it has been benchmarked against.

The Committee then discussed the recommendations in further detail including the future use of a bespoke H&S system. A Member commented that it may be helpful to investigate the possibility of joint purchasing and the sharing of this software with other colleges and the DF&E is to look at this further. The Principal highlighted that the College is reviewing its procurement arrangements.

The Committee received and noted the Internal Audit Reports.

#### **1483 RISK MANAGEMENT REPORT**

The Audit Committee received the Risk Management Annual Report 2019/20 and an update on the College Risk Register.

The Committee noted that the Annual Report includes information on the College's Risk Management and internal control systems 2019/20, its risk management process during 2019/20 and a comparison of risks between July 2019 and July 2020.

The information in the Risk Register was highlighted along with the risks being ranked in the order of residual risk.

The Committee was informed that the top five risks were:

- College's financial health and objectives – financial solvency and sufficient cash flow
- Delivery of budgets and achieve funding income allocation targets
- Meeting revenue targets across different income streams
- Covid-19 – impact on funding and safeguarding well-being of staff and students and health and safety
- Increase in LGPS liability

The Committee questioned if the worse-case scenarios had been played through to assess the sensitivities, mitigating actions and impact at certain points in time. It was acknowledged that the ESFA does request financial returns at regular points in the year which reflect the status of revenue and cash flow.

The Committee then reviewed the Risk Register, noting that there had been some additions:

- Local Government Pension Scheme liability
- Licence for the use of the College car park
- Capital Works programme - £876k value – to be finalised by 31 March 2021
- On-going operations – Disaster Recovery Plan
- Property Strategy – to review Spring 2021

The Audit Committee received and noted the Annual Report on Risk Management for 2019/20 and the updated College Risk Register.

#### **1484 ANNUAL REPORT OF THE AUDIT COMMITTEE – 2019/20**

The Committee was asked to receive and comment on a working draft of the Annual Report of the Audit Committee for 2019/20 prior to its submission to the Corporation on 21 December 2020.

The content of the report includes key issues, membership of the Committee and dates on which the Audit Committee met in 2019/20, a breakdown of auditor's fees and summary details of the internal Audit checks.

The Committee noted and agreed the content of the Annual Report of the Audit Committee for 2019/20.

#### **1485 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 – Audit tracker/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 Statement's Auditors
- Procurement of audit services
- Update on College policies and procedures relating to fraud, irregularity, impropriety and whistleblowing

The Chair thanked the auditors for their hard work in providing the annual end of year reports.

SP&SD left the meeting

#### **1486 FINANCIAL STATEMENT AUDITORS**

The Audit Committee agreed that a tender process commence in early 2021 regarding the appointment of Financial Statements auditors.

As per the recent process regarding the tender for Internal Auditors, Crescent Purchasing Consortium (CPC) are to be used.

Timescales are such that tender, interview and recommendation for appointment be made for the Corporation meeting on 23 March 2021.

#### **1487 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

- To inform the Corporation that Renatta Nzomono was duly appointed Chair and Graham Woolnough as Vice Chair of the Audit Committee for 2020/21.
- The Audit Committee agreed to recommend its Terms of Reference 2021/22 for approval to the Corporation for immediate application.
- The Audit Committee agreed that the Internal Audit Annual Report for 2019/20 be presented to the Corporation at its meeting to be held on 21 December 2020.
- To present the 2019/20 Annual Report of the Audit Committee to the Corporation and;
  - o Request the Corporation and the Chief Accounting Officer to consider the 2019/20 Annual Report of the Audit Committee;
  - o The Audit Committee recommends the Financial Statements 2019/20 and Letter of Representation to the Corporation for approval.

- To undertake a tender process for the appointment of the Financial Statements auditors.
- DF&E to review the issues identified by the FS auditors regarding the internal controls around uncleared cheques and also relating to historic deferred capital grants
- DPCR to explore insurance cover regarding the pension liabilities
- DF&E to investigate joint purchasing and/or sharing of software systems e.g. for Health and Safety

**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**