



## UNCONFIRMED MINUTES

### THE CORPORATION OF WALTHAM FOREST COLLEGE

#### AUDIT COMMITTEE

#### MINUTES OF THE MEETING HELD ON 14 NOVEMBER 2018

#### 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

Jenny Brown	present	Grant Thornton
Paul Goddard	present	Scrutton Bland
Nicola Meadows	present	Scrutton Bland
Joy Kettle	present	Principal & Chief Executive
Lynda Croft	present	Interim Deputy Principal Corporate Resources
Nicholas Brick	present	Health & Safety Consultant

#### **1370 APPOINTMENT OF AUDIT COMMITTEE CHAIR AND VICE CHAIR 2018-19**

Renatta Nzomono proposed Graham Woolnough as Chair of the Audit Committee and Youness Abidou seconded this.

Graham Woolnough proposed Youness Abidou as Vice Chair of the Audit Committee and Renatta Nzomono seconded this.

These appointments are to be reported to the Corporation at its meeting to be held on 4 December 2018.

#### **1371 APOLOGIES FOR ABSENCE**

There were no apologies.

#### **1372 ATTENDANCE OF THE PRINCIPAL AND INTERIM DEPUTY PRINCIPAL CORPORATE RESOURCES AT THE MEETING OF THE AUDIT COMMITTEE**

The Committee agreed that the Principal and Deputy Principal Corporate Resources should be invited to attend the meeting.

#### **1373 DECLARATION OF INTERESTS**

There were no other issues included on the agenda for the meeting in which they had a personal interest relative to the College.

**1374 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 28 JUNE 2018**

The minutes of the Committee meeting held on 28 June 2018 were approved by the Audit Committee and signed by the Chair as a correct record.

**1375 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 28 JUNE 2018**

There were no matters arising from the Minutes of the meeting held on 28 June 2018.

**1376 CALENDAR OF MEETINGS – 2018-19**

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

- Tuesday 12 March 2019
- Thursday 20 June 2019

**1377 AUDIT COMMITTEE TERMS OF REFERENCE – ANNUAL REVIEW**

The Audit Committee agreed that, as a result of the revised Post 16 Audit Code of Practice the following be added to point 4:2 of the Terms of Reference:

*Staff Governors should not be members of the Audit Committee.*

The Audit Committee noted that there were no other amendments required and agreed to recommend its Terms of Reference 2018-19 for approval to the Corporation for immediate application.

**1378 HEALTH AND SAFETY – ANNUAL REPORT 2017-18**

The Committee received the Health and Safety (H&S) Annual Report for 2017-18 which included a management review of H&S performance for the year.

The key H&S performance indicators and items for 2017-18 were identified as:

- The Head of Estates and H&S received support on H&S management from a H&S consultant as from February 2018
- A comprehensive review of H&S management systems took place in March 2018 which identified the benefit of alignment to a quality occupational H&S management system (BS 18001]
- A H&S management plan was instigated including addressing those areas where improvements were necessary
- Documented H&S procedures were reviewed and new procedures introduced where appropriate
- Mandatory in-house H&S training
- Comprehensive fire risk assessment was commissioned

An internal audit of H&S took place in May 2018 where eight recommendations were made, with all but one now completed. The one outstanding recommendation is regarding risk assessments and the Committee was informed that significant progress has been made in this area.

The Committee noted the two accidents which were reportable under RIDDOR and that the HSE was satisfied with the actions taken.

The breakdown of accidents by Learning Area and Department, health and safety training, emergency preparedness, policies and procedures and contact with enforcing authorities were noted

The Committee was informed that there is to be an update in the management system to provide more accurate data. In addition, H&S audits are to be linked to Learning Area Reviews so that it becomes embedded.

In response to a Governor's question regarding the current status of H&S and if there are robust processes in place, assurance was provided that controls are in place and progress is being made with risk assessments, but that there is still a need for more formalised checks to provide evidence and assurance including Learning Managers taking ownership of Health and Safety.

The Committee noted the Health and Safety Annual Report for 2017-18.

**1379 DRAFT FINANCIAL STATEMENTS 2017-18 AND AUDIT FINDINGS REPORT**

The Audit Committee was asked to receive and consider the draft Financial Statements for 2017-18 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 4 December 2018.

The Financial Statements Auditors 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.

The three significant risks identified in the Audit Plan were the revenue cycle, management override of controls and Going Concern. All have been satisfactorily reviewed and tested.

There were five reasonably possible risks identified in the Audit Plan. The audit work did not identify any significant issues in relation to the risk identified.

There are closed Lloyds bank Accounts which are still appearing on the general ledger which represent a risk as they could be used to process inappropriate transactions. Management have accepted the recommendation to review the chart of accounts and that any old and unused accounts should be removed.

The auditors agreed with the Management judgement that there is no onerous lease provision required with Big Creative.

Management also accepted the recommendation that payroll reports should be reconciled to the general ledger on a monthly basis.

A Governor queried the risk and assurances around 'Going Concern' and it was noted that the auditors had considered appropriate reports and records, primarily key financial information including the budget for 2018-19, the ESFA 3 Year Forecast incorporating a cash flow forecast and the ESFA financial health assessment and dashboard, appropriate sensitivities and general issues in the F.E. sector. The auditors have agreed with the management and Corporation conclusion that the College remains a 'Going Concern'.

It was noted that sustainability as opposed to 'Going Concern' was not within the scope of the audit and that the monthly management accounts will include a more focussed range in order to offer a more detailed analysis.

The auditors then drew attention to services which a separate Grant Thornton team are providing regarding due diligence on the proposed Capital Project. Appropriate controls are in place and the work is to inform the College and the Corporation in order to make their own decision on the review of the options provided.

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

It is anticipated that the audit report will be unmodified between the Audit Committee meeting of 14 November 2018 and the Corporation meeting on 4 December 2018.

An unqualified regularity audit opinion is to be included within the Financial Statements

It was noted that Page 20 of the financial statements sets out the reasons why the College considers that it remains a going concern for the forthcoming 12-month period from the signing of the accounts to 31 December 2019 and beyond.

The End of Year financial position for 2017/18 is as follows in summary terms and information that is more detailed is to be found in the Financial Statements:

Total Income	20,369,000
Total Expenditure	20,832,000
Operating surplus	(463,000)
End of year adjustments	
- Local Govt pension scheme	499,000
Restructure costs	67,000
Adjusted operating surplus	104,000

The draft out-turn mean that the College's financial health at 31 July 2018 is "good".

The Committee then reviewed the draft accounts in further detail including pension contributions. The auditors drew attention to a recent ruling regarding pension equalisation and advised that it is unlikely to have an effect on the valuation for the LGPS scheme but that this will be confirmed in 2019.

The post balance sheet events are to be confirmed and will include the proposed Capital Project which is in collaboration with the London Borough of Waltham Forest.

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 2017-18 and the associated draft Audit Findings Report prepared by Grant Thornton;
2. Noted the 2017-18 projected out-turn of a deficit of (£462k) from a total income of £20,370k. Excluding FRS102 section 28 pension adjustments of £499k, the College achieved a surplus of £37k and a £0.111 million operating surplus and a deficit for the year of £0.365 million after taking into account the adjustment for support staff pensions;
3. Confirmed that the Financial Statements and Audit Findings Report for 2017-18 will be presented to the Corporation at its meeting on 4 December 2018.

### **1380 INTERNAL AUDIT ANNUAL REPORT 2017-18**

The Audit Committee was asked to receive and consider the Internal Audit Annual Report 2017-18.

The Internal Auditors informed Members that, in their opinion, for the year ended 31 July 2018, the College;

- Has adequate and effective risk management processes;
- Has adequate and effective governance processes;
- Has adequate and effective control processes in the majority of areas, with the exception of the control weaknesses identified during the audits of GDPR Preparedness and Health and Safety; and
- Has adequate and effective efficiency, effectiveness and economy processes.

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

Whilst acknowledging the challenging nature of some the audit areas, the auditors drew attention to the significant increase in the number of recommendations made and that there were also more reasonable and limited opinions given in 2017-18 than in previous years. It was recognised that there have been some senior staff changes who have embraced the recommendations and that the one high risk recommendation was implemented in year. Although the overall conclusion is that the internal controls and risk management are adequate and effective, the auditors have stated that this trend should be monitored closely.

The Interim Deputy Principal assured the Committee that the list of outstanding recommendations and actions are reviewed regularly at Executive team meetings.

The Committee noted the summary of findings and that there were two 'significant', two 'reasonable' and two 'limited' assurance levels assigned.

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

The Internal Auditors thanked the Management for their continued support and availability during their audit work, which was much appreciated.

The Audit Committee agreed to receive the Internal Audit Annual Report for 2017-18 and that it is to be presented to the Corporation at its meeting to be held on 4 December 2018.

**1381 RISK AND ASSURANCE REPORT ON THE FOLLOW-UP OF PREVIOUS RECOMMENDATIONS**

The Committee noted the progress made regarding the internal audit recommendations since the last Audit Committee meeting held on 28 June 2018.

Whilst there are a number of recommendations which have now been completed, assurance was provided to the Committee that work is being undertaken in the next few weeks regarding the H.R. issues and that budget holders will be receiving training on their responsibilities.

A Governor queried the College's approach to long-term sickness and was informed that there needs to be better 'fall back' alternatives for consideration.

A Governor asked if the increased number of recommendation portrayed a better position in identifying some of the 'smaller' issues or were there just more issues in terms of risk compared to last year. By way of response it was noted that it was a combination of both. GDPR and Health and Safety are complex issues to get to grips with, whilst some other areas just require more of a 'fine tune' and are not in need of changes to fundamental controls.

The Committee noted the progress update on the outstanding internal audit recommendations.

**1382 RISK AND ASSURANCE PROGRESS REPORT 2018-19**

The Committee noted the Internal Audit progress report for 2018-19.

It was acknowledged that the proposed Capital Project would be a significant investment and that an internal audit regarding Corporation oversight may be an area for consideration alongside the planned Estates audit.

The Committee noted that Nicola Meadows has now taken over from Leisyen Keyes as Scrutton Bland's audit lead for the College.

**1383 GDPR**

The Interim Deputy Principal provided the Committee with a verbal update on GDPR.

The Head of I.T. is also the lead for GDPR and the College is compliant, ensuring all new staff are trained on GDPR and that for all staff it has priority and continued focus.

**1384 RISK MANAGEMENT REPORT**

The Audit Committee received an update on the Risk Management Register and the relevant changes were noted.

The Interim Deputy Principal informed the Committee that the Risk Management Group had met to consider risk and had concurred with the proposal that the Risk Register matrix be revised to two-dimensional with a focus on likelihood and impact.

The Committee noted that the two Deputy Principals are to review this approach and will report back to the Audit Committee in due course.

**1385 ANNUAL REPORT OF THE AUDIT COMMITTEE – 2017-18**

The Committee was asked to receive and comment on a working draft of the Annual Report of the Audit Committee for 2017-18 prior to its submission to the Corporation on 14 December 2018.

The content of the report includes key issues, membership of the Committee and dates on which the Audit Committee met in 2017-18, 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 2017-18.

**1386 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 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.

**1387 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

- To inform the Corporation that Graham Woolnough was duly appointed Chair and Youness Abidou as Vice Chair of the Audit Committee for 2018-19.
- The Audit Committee agreed to recommend its Terms of Reference 2018-19 for approval to the Corporation for immediate application.
- The Audit Committee agreed that the Internal Audit Annual Report for 2017-18 be presented to the Corporation at its meeting to be held on 4 December 2018.
- To present the 2017-18 Annual Report of the Audit Committee to the Corporation and;
  - o Request the Corporation and the Chief Accounting Officer to consider the 2017-18 Annual Report of the Audit Committee;
  - o The Audit Committee recommends the Financial Statements 2017-18 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**