

Waltham Forest College



THE CORPORATION OF WALTHAM FOREST COLLEGE

AUDIT AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON 30 NOVEMBER 2023

MEMBERS OF THE COMMITTEE

Michael Eichhorn (Chair)	apologies
Renatta Nzomono (Vice Chair)	present
Gbeminiyi Soyinka	present
Simon Deschenes	present (co-opted independent member)
Graham Woolnough	present (co-opted member)

CLERK TO THE COMMITTEE

Naomi Shoffman	Director of Governance (DoGov)
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IN ATTENDANCE

Janet Gardner	Principal & Chief Executive
Abena Rodman-Tay	Deputy Principal Finance & Resources (DPFR)
Neil Clark (NC)	Wylie Bisset – Internal Audit Service (IAS)
Stuart McKay (SMK)	McIntyre Hudson – Financial Statements Auditor (FSA)
Elton D’Souza	EBR Consultant

1607. 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.

1608. WELCOME AND APOLOGIES FOR ABSENCE

Due to apologies received from Mr Eichhorn, due to last minute work commitments, Ms Nzomono chaired the meeting. The Chair welcomed everyone to the meeting and in particular Mr Soyinka to his first meeting and Mr D’Souza. There were no other apologies.

1609. 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.

1610. MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 21 JUNE 2023

The Minutes of the Audit and Risk Committee meeting held on 21 June 2023 were approved by the Committee as a correct record.

The Chair went through the action points as follows:

- Minute 1598 – The DPFR advised that to date no completion dates have been changed and confirmed the two recommendations have been implemented.
- Minute 1599- The DPFR confirmed that regular KIT meetings with the IAS have been arranged for the rest of the year.
- Minute 1601i – The RAS dashboard and minute – 1601 ii – has footnote been added – the DPFR said she needed some further discussion on both these action points. It was agreed to pick this up outside the meeting with the Chair and Vice Chair. The plan remains to bring this to the March meeting.

1611. MATTERS ARISING

None

1612. INTERNAL AUDIT ANNUAL REPORT 2022-23

NC, the Internal Auditor, presented the Internal Audit Annual Report for 2022-23 and highlighted the following:

- Opinion - the IAS is satisfied that.
 - Sufficient internal audit work has been undertaken to allow the Wylie and Bisset LLP Internal Audit Department to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.
 - Waltham Forest College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of their audit work.
 - The College has proper arrangements to promote and secure value for money.
- The reviews give an "overall strong" assurance with one review giving "substantial" assurance.
- There were no high-grade audit recommendations or anything of concern. Most have been implemented with immediate effect but will be formally checked at the follow up review later this year.
- Benchmarking data overall shows the College is performing better than most comparable clients.
- The IAS achieved 100% compliance against the KPI's.
- All recommendations relating to the year 2021/22 have been actioned.

There followed discussions around the following:

- The scope and areas of the audits carried out in the year. The Principal reminded everyone that the Committee reviews and signs off on the scope and content of the annual audit plan.
- Integrity of Assurances – The Principal advised that the external auditors add a level of assurance and as a College, one of the things we have done in the last two years, was appointing a funding and compliance officer who sits underneath the head of funding and data. This enables the College to carry out our own internal assurance as well as that done by the internal auditors. The College underwent a funding audit from the ESFA, and those recommendations have been implemented and reviewed as part of the external audit. The DPCQ also performed a couple of audits and there were no recommendations for colleagues. It is positive to see that what we have done and put in place is working. For the benefit of new members of the Committee, the additional layer of assurance was a direct recommendation from this Committee following a conversation around this and clearly you can see the positive impact of that. The Chair commented that it was great to hear that it has been effective and is working.
- For the benefit of new members, clarification was given around the Wylie Bisset process for grades given, recommendations made and what happened if management do not agree with them. It was then explained how all this feeds into the overall assurance provided by the IAS.
- Next year's plan will be reviewed and potential emerging issues or areas that the committee should be considering as part of the annual planning cycle. NC reminded the Committee of the areas being covered in this year's plan. The Principal reminded the Committee they agree the plan including the scope of the plan for each area. When considering next year's plan which will include the mandatory reviews, the Committee will look at any areas of concern, linked to the risk register. Also, areas, such as this year with the safeguarding and GDPR, which although are not of any particular concern, should be reviewed on a regular cycle as good practice. The plan for next year

will be looked at considering the above in the spring and summer terms.

The Committee received the Internal Audit annual report.

The following Board and Members of the Finance and Resources Committee joined the meeting for the items presented and recorded at minutes 1613-1612a: P Butler, A Seyyad, R Iyun, L Smith and D Talbot.

1613. FINANCIAL STATEMENTS 2021/22

SMK presented the draft Financial Statements Report, Audit Findings Report, Regularity Audit Self-Assessment Questionnaire 2022-23 (SARQ), letter of Engagement and Letter of Representation prepared by the Financial Statements Auditors (McIntyre Hudson) for 2022-23 and highlighted the following points:

- The Statutory annual accounts show an 'Outstanding' Financial Health, healthy cash reserves and cash days.
- The key areas of audit focus/risk which had been identified as part of the overall audit strategy and how they have been resolved, are as follows:
 - Fraud risk in revenue recognition – No issues raised.
 - Management override – No issues raised.
 - Related party transactions – No issues raised.
 - Entitlement and Recognition of Income – Non-adjusting misstatements have been made in relation to adjustments arising from the R14 being finalised.
 - Regularity – No issues which have an impact on the regularity opinion were identified during the course of the audit and in the auditors' opinion, in all material respects, the expenditure and income for the period have been applied for purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
 - Going Concern – The going concern assessment will conclude once the Governors have completed their assessment.
 - To comply with ISA 570 the auditors' internal procedures require that they continue to review going concern right up to the signing of the Auditors Report, including performing 'Stand back' procedures which will also include a review of going concern assessment by a second audit partner. However, at the date of writing the report, there are no concerns over the College's ability to continue as a going concern.
 - Risk of clawback – No issues raised.
 - Capital Expenditure – An unadjusted misstatement has been noted in relation to assets which have been capitalised, but do not meet the College's capitalisation threshold.
 - Pension assumptions and staff costs – due to the change in actuarial valuations and the fact that discount rates have risen because underlying interest rates have risen the assets are broadly staying the same, but the actual liabilities are being reduced.
 - Financial Reporting – the details of the disclosure misstatements and adjustments are in the report. The value of the changes that were made to the financial statements as a result of the audit was pretty small.
 - Opinion – It is anticipated that an unqualified opinion will be given.
 - Letter of Representation – There were no representations that the auditors cannot give assurance over which is good news. There is a new paragraph in there which is standard this year and that is to confirm that the College has complied with all the MPM requirements. SMK cautioned that the MPM rules are complicated, so he would encourage management to check and double check when making these transactions to make sure that the rules are being complied with as they are easy to trip over.
 - In addition to the financial and regularity audits the FSA also carried out the annual Teachers Pension audit.

SMK then went through the audit findings recommendations and management responses. No formal recommendations were made, only housekeeping/advisory points. Areas of best practice in the College were also highlighted.

Questions /Comments were invited.

The Chair of the Corporation commented, and members agreed that it's quite reassuring to see that the College has received a clean bill of health, particularly when we have seen such growth over the last three years.

There followed discussions around the following points:

- Whether management is comfortable with all the representation made in the letter as this is the basis, on which the Committee is being asked to make a recommendation to Corporation to sign the letter. The Principal by way of reassurance explained that the letter is not only signed by the Chair of the Corporation but also signed by her in her capacity as the College's Accounting Officer and that she clearly would not be signing it if management wasn't happy with it. She continued to provide some context by explaining that as well some of these things in the letter, further assurances activities are brought to all committees throughout the year and gave some examples. Having confirmed with management that they are.
- Clarity around the way the LGPS pension liability is treated in the accounts, how and when the actuarial valuations are carried out, and the assumptions used.
- Materiality of non-adjusting items, what methods were used and what those thresholds were.
- What is the impact of not meeting the Treasury target for paying suppliers. The DPFR explained the reasons for not meeting the targets and confirmed there are no consequences from that. The Principal added that there are some terms and conditions that would require interest being paid on late payments.
- The process the College goes through in terms of what we're going to include and the information we provide in the accounts. The Auditors explained there is a specific guide and template that all colleges are supposed to follow. The ESFA also produce an underlying rulebook of the accounts direction and that includes not just what the AOC and the ESFA want to see, but it's also the things that cover like this, the late payment and commercial Debts, Interest Act, the trade union and facility to publication requirement times. SMK said colleges can include other information a good example of that is this year many colleges have adopted the gender equality pay statistics that they publish, others have gone added social and environmental reporting. However, anything that is added in must be audited.
- Clarification was sought and provided around the layout and some of the content in the regularity Self-Assessment Questionnaire.
- The Writing off of Debts have been previously discussed at Corporation level, but it was noted that not all members of the Committee attended Corporation. It was agreed to find a suitable mechanism to ensure all members of this committee have the information they need to be comfortable with decisions they are being asked to make. The process for writing off debts was also discussed.

The draft Financial Statements Report and accounts, Key Findings, Regularity Audit Self-Assessment Questionnaire and Letter of Representation for 2022-23 2022/23 were noted and subject to some minor changes recommended to the Corporation meeting on 19 December 2023 for final approval.

1612. POST-16 AUDIT CODE OF PRACTICE 2022/23

The DPFR advised this document is updated every year so is presented annually alongside the financial statements.

The Committee noted the Post-16 Audit Code of Practice 2022/23.

All members of the Board other than members of the Committee withdrew from the meeting.

1613. UPDATED COLLEGE RISK REGISTER

The DPFR presented the College Risk Register, highlighting the changes since the last report. The DPFR added that it was agreed with the Committee to add any emerging risk as a separate line on the risk register. This has been added at the bottom of the register and in the summary as well.

A discussion around the impact of one of the highlighted risks on the College's finances and reputation. The Principal advised that it's not an immediate material financial risk, it's more of a reputational risk, which could eventually have an impact on the finances, but more one of future risk to recruitment which could impact finances in the future.

The Chair noted that two of the risks had scored the same so asked why one had been listed in the top five ahead of the other. The DPFR explained her rationale for this as she believes there are more external factors involved for one risk which is out of the College's control. She agreed that in future would include both risks if they had the same score and fell into the top risks.

A discussion ensued around the effectiveness of the controls and mitigating actions in place. The Principal and DPFR said that there is nothing they should be doing that is not being done. The actions in place are mitigating the risks, but we can't ever say that there's not a risk of any of these things happening. She gave examples of some of the things we can't ever prevent from happening but can reduce the risk and mitigate the risk and impact, should they happen. So, in summary she said she was confident that all the controls and measures that we should be taking are being taken but cannot give the board assurances that means that nothing is ever going to go wrong. A Governor agreed and stated that the Committee could not reasonably expect all risks to be in the control of the management team and gave an example of where funding policy may change. He agreed that management are taking all necessary steps to identify potential risks and plan for mitigation.

The Principal added that for certain risks the College tries to be proactive, for instance changing the curriculum and diversifying provision considering funding policy changes and qualification reforms. In order to mitigate different potential outcomes, we tested a number of different scenarios as to what the landscape may look like and what the impact of the College would be from a financial risk as well as from a student outcome and experience risk.

The Committee received and noted the updated College Risk Register.

1614. REPORT OF FRAUD INCIDENTS

NONE

1615. PI'S FOR AUDITORS

The DoGov presented the draft questionnaire listing the PI's for the auditors. There was some discussion around the need for the questions to be more directed to each set of auditors. It was agreed that the DoGov would review the questions and explicitly differentiate those asked of the internal and external auditors.

It was further agreed the review will take place at the beginning of next term with all committee members, and any members of staff who have been involved with the audits being asked to complete the relevant questionnaires. The outcomes will be compared to the IAS and FSA's own self-assessment and brought to the next meeting.

The Committee agreed the actions as listed above.

1616 ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE 2022-23

The DoGov spoke to the draft Audit and Risk Committee Annual Report for 2022-23. The report also includes the self-evaluation, and effectiveness of the Committee. The annual report just follows the standard format done every year, and it's just a requirement to produce one and as such is mainly factual.

Regarding the self-assessment outcomes, the DoGov went through the details of the areas of impact the Committee made through its work in the last twelve months and those that require improvements.

The Committee discussed the responses at length and the proposed grade of – 2 – Good. Members observed that notwithstanding the issues with membership, the expertise of the membership along with the work the Committee had carried out during the year particularly around risk management and risk appetite was outstanding compared to sector norms and the auditors agreed. Having discussed all these factors, it was agreed to revise the grade to Good with elements of Outstanding.

The Committee Agreed to recommend to the Corporation the Annual Report of the Audit and Risk Committee 2022-23, the Committee Self-Assessment Grade "Good with Elements of Outstanding for Performance" and Effectiveness during 2022-23.

1616. DATES OF NEXT MEETINGS

- 5 March 2024
- 11 June 2024

1617. ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

- Recommendation of Annual Reports to the Board for approval – DPFR/DoGov.
- Changes to the PIs – DoGov.
- Communication with co-opted members with regards to items picked up at corporation – DoGov.

STAFF MEMBERS WITHDREW AND A CONFIDENTIAL DISCUSSION BETWEEN THE COMMITTEE AND AUDITORS ENSUED.

19.53 finish

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

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Signed

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Date