



## THE CORPORATION OF WALTHAM FOREST COLLEGE

### AUDIT AND RISK COMMITTEE

#### MINUTES OF THE MEETING HELD ON 21 JUNE 2023

##### MEMBERS OF THE COMMITTEE

Michael Eichhorn (Chair)	present	Member
Renatta Nzomono (Vice Chair)	present	Member
Simon Deschenes	present	Co-opted Independent Member
Graham Woolnough	present	Co-opted Member

##### CLERK TO THE COMMITTEE

Naomi Shoffman	present	Director of Governance (DoG)
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##### IN ATTENDANCE

Janet Gardner	present	Principal & Chief Executive
Abena Rodman-Tay	present	Deputy Principal Finance & Resources (DPFR)
Stephen Pringle (SP)	present	Wylie Bisset (WB)
Stuart McKay (SM)	present	MHA

#### **1592 ATTENDANCE OF THE PRINCIPAL AND OTHER COLLEGE MANAGERS AT THE MEETING OF THE AUDIT AND RISK COMMITTEE**

The Committee agreed that the Principal, and the Deputy Principal Finance and Resources (DPFR) are invited to attend the meeting.

#### **1593 WELCOME APOLOGIES FOR ABSENCE**

There were no apologies. The Chair checked that everyone could hear and see each other and welcomed all to the meeting and in particular Mr Woolnough.

#### **1594 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.

#### **1595 MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 20 MARCH 2023**

The Minutes of the Audit and Risk Committee meeting held on 20 March 2023 were approved by the Committee as a correct record.

#### **1596 MATTERS ARISING**

None. All actions completed.

## **1597 INTERNAL AUDIT REPORTS 2022/23**

SP from WB presented three internal audit reports and highlighted the following points:

### **i. FUNDING ASSURANCE REVIEW**

- The purpose of the review was to provide assurance that the Individualised Learner Record (ILR) return is complete, accurate, free from material errors and complies with the ILR specification for 2022/23 in respect of enrolment procedures. WB reviewed the systems and processes used to capture learner numbers to ensure that all students are being correctly captured on management information systems.
- WB also tested that the information submitted to the ESFA can be substantiated so that funding income can be verified. This forms part of the agreed Internal Audit Plan for the College for 2022/23.
- The overall conclusion from this audit was 'SUBSTANTIAL' assurance. Sixteen areas of good practice were highlighted.
- Having reviewed the recommendations raised by the ESFA with the Head of Funding and Data, WB can confirm that the College has addressed all the actions raised by the ESFA in its report. Some work is ongoing, but the College is expecting that all issues raised will be addressed by the time the final ILR for 2022/23 (R14) is submitted in October 2023.
- Most of the recommendations raised by the ESFA related to apprenticeship provisions. From the results of their sample testing, WB were satisfied that the College is now correctly recording the required information required to correctly claim funding.
- There are, however, some areas where controls could be further enhanced and to this effect, WB made five recommendations.

A member asked questions around the recommendations, if there were other areas in the College that keep paper records. If so could the College use this learning to provide a solution around that and how in-year changes to learner agreements can better be captured. The DPFR and Principal explained there are some parts of enrolment which are still paper based and explained the reasons for that, so the College still need to consider how best to store these. The College is developing an automated process but in the meanwhile have put in place an interim solution to capture the changes.

There was a discussion around the auditor's recommendation and management responses re timing of the updating of the ILR records. It was agreed as a follow up point to resolve any issue between the WB and management before these being reported.

There was a discussion around how this college compares with the sector.

### **ii. Subcontracting Controls**

- The ESFA's new Subcontracting Standard came into effect from 1 August 2022 for the 2022/23 funding year. The Subcontracting Standard sets out the requirements for all providers who subcontract £100,000 or more of their delivery, across all ESFA funding streams. The Standard covers 10 key areas which focus on oversight and management of public funds and ensuring that these are used to best effect to maximise the value of these funds to benefit the learner. This also focuses on the need to justify a subcontracting arrangement prior to it commencing. It is, therefore, important for the College to consider its subcontracting arrangements and strategies to ensure that the Standard has been adhered to.
- The purpose of this review was to ensure that the College has appropriate subcontracting arrangements in place as a provider to ensure that this was in line with the ESFA Standard.
- From the review of Waltham Forest College's subcontracting arrangements, WB are satisfied that the College has sufficient controls in place to manage their subcontractors in line with the standard. Two areas of good practice were highlighted.
- Recommendations/points of enhancement were made as part of the report.

SP concluded his report saying that the College has provided enough evidence to give confidence here, so it is unlikely to need another review for three years.

There was a discussion around the self-assessment recommendation and what other Colleges have said in the reports already submitted to the ESFA. SP advised that the ones he has seen are all similar and all say they are compliant.

The Chair asked whether the College needs a policy and procedures framework. SP responded that he did not believe so as everything is in place. It is about collating all the documents which would be helpful but is not an area of concern.

iii. **Follow-up**

- The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in 2021/22 and earlier years. The review considered whether any issues are outstanding beyond the agreed implementation deadline.
- The review also considered all outstanding recommendations to provide the Board, via the Audit and Risk Committee, with independent assurance that the IAS is satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the audit action plan.
- This assignment is part of the agreed 2022/23 Annual Internal Audit Plan for the College.
- The report provides the College with a 'STRONG' level of assurance surrounding the implementation for recommendations raised in 2020/21 and previous years. All of the recommendations have been fully implemented.

The Committee congratulated the team on fully implementing all the recommendations and the positive outcome.

**The Committee noted the positive Internal Audit reports.**

**1598 UPDATE ON ALL AUDIT RECOMMENDATIONS**

The DPFR presented the report and highlighted the following:

- All audit recommendations from the College internal and external auditors including any audits by the ESFA are followed-up by SLT on a monthly basis to ensure that they are implemented in a timely manner.
- All previous year's internal audit recommendations have been implemented except for two which have been partially implemented with revised proposed implementation dates updated on the schedule. The two risks partially completed are the Estates Strategy, which will be signed off in July 2023, and the operational risk register which will be embedded in Term 1 of next year as further training is needed.
- The recommendations made in the ESFA funding audit have all been implemented.
- There have been three further internal audits this year 2022/23 as per the reports from WB. The outcomes will be included in the recommendations tracker.
- All other actions have been fully implemented.

The Committee asked that this should be clarified in the columns which set of auditors raised which recommendation and to highlight in the dates column where completion dates have been changed and the rationale for this.

A member asked whether the actions are challenged by SLT when closed. The Principal explained that we need to provide evidence of completion beyond SLT and report back to relevant auditors.

**The Committee noted the positive progress made on the Internal Audit recommendations.**

**1599 INTERNAL AUDIT NEEDS ASSESSMENT AND FULL SCOPING FOR EACH AREA 2023/24**

SP advised that he had met with the DPFR and the Director of Finance to look at the audit areas and agreed the process for preparing the plan. The draft plan was shared with the Principal for her input before final version being agreed. He went through the report and highlighted the following points:

- The Operational Plan for 2023/24, scope and visits dates for each review.
- The Summary of Internal Audit Input.
- The Grading Structure used.
- The Auditors Key Performance Indicators.
- The list of some of the training topics which WB would be able to offer Waltham Forest College.

SP then invited feedback from the Committee.

A member asked how the coverage compares to others in the sector. SP confirmed that they have used other colleges as a basis for the plan and he does not believe we have missed anything. He added that the WB has experience of the impact of the ONS reclassification which has been in place

for 10 years in the Scottish College sector so will look at this area as more changes (financial handbook not published till 2024) come in.

The Principal advised as per the Committee's suggestion that extra money has been added into the audit budget for any ad hoc reviews that may emerge due to concerns arising. The reason some of next year's topics are included, such as safeguarding, is that even though there have not been any concerns, we are mindful that it has been 3 years since the last one and it is good practice to review this regularly. The Committee said they were pleased to hear that.

A member asked whether the plan aligns with the Risk Register and highest risks? The Principal said it does which is another reason for including some of the reviews this year.

The Chair asked about continuous auditing. The DPFR said that she and the auditors have regular keeping in touch meetings to ensure everything is on track and all is robust. The Principal advised on all the regulatory processes and meetings the College has with various external agencies as part of the assurance framework and confirmed all is on track. Also, the College recently added internal capacity to undertake regular Internal Audit sampling of different areas and following up on that. A final report of all the College's own Internal Audits will be shared with the Committee at the end of the year.

**The Committee agreed to recommend approval of the plan to the Corporation.**

## **1600 FINANCIAL STATEMENTS 2022/23 AUDIT ARRANGEMENTS**

SM from MHA introduced the Financial Statements audit strategy and highlighted the following key points:

- The purpose of this Audit Strategy Report is to provide details of the key elements of the proposed audit strategy to "those charged with governance."
- ONS reclassification - the key audit risks have taken into account their new responsibilities under the Post 16 Audit Code of Practice. The Financial Handbook which will provide the sector with greater clarity over their duties under HM Treasury's Managing Public Money guidance is currently being developed and will be published in 2024; we will keep abreast of these developments.
- The Audit strategy Overview.
- The new requirement under the International Standard on Auditing (UK and Ireland) 315 (revised), in terms of how risks in each area are assessed. The revision to the ISA adds to the amount of work they need to undertake in conducting the audit and is likely to result in additional work, especially in the areas of IT and fraud identification. Furthermore, ISA315 has an increased focus on controls-based auditing. Where they are unable to place reliance on the College's internal controls this will have a significant impact on the audit approach which may have an impact on their efficiency and cost.
- Auditing Practices, The Auditors Ethics, independence and fees, Understanding of internal controls, Accounting estimates.
- The Audit timetable.
- At the planning stage, we anticipate an overall Financial Statements materiality of 1% of income. All misstatements found in excess of 5% of materiality will be reported. Misstatements below this threshold will be reported if they are deemed to be material by nature.
- The Audit approach is similar to what MHA were required to look at and audit as per last year.
- The factors MHA consider when MA perform the risk assessment of the key risk areas.
- Significant Audit Risks focusing on key audit risks:
  - Entitlement and Recognition of Income
  - Risk of Clawback
  - Capital Expenditure
  - Going Concern
  - Key Financial Controls and Management Override
  - Pension Assumptions
  - Related party transactions plan for development and external review of governance
  - Other Provisions
  - Financial Reporting- the main change being ONS reclassification.

SM concluded his presentation and advised that the ILR audit had gone well. He invited questions /comments.

Following a discussion on the Harper V Breazel ruling a member asked about the provision made for holiday accrual and how likely it was to crystallize. The Principal advised the case is still going through the high courts but confirmed that the College has been prudent in its approach and has made

a provision for this in its accounts.

The Principal advised that the ONS reclassification has meant that many changes need to be made most of which the sector has yet to understand because the financial handbook has not been released yet.

In addition, there are significant implications on workloads on Finance due to the new changes. The Principal explained that the College is being asked to sign and agree to things retrospectively and that it is not yet known what we are or are not compliant on apart from what has been circulated on MPM form. The Principal said it was important for the Committee to be cognisant of what is happening in the sector and the implications to colleges. There followed a discussion around the risks of not being fully compliant with ONS requirements.

**The Committee Noted the Financial Statements 2022/23 Audit Arrangements.**

## **1601 RISK MANAGEMENT**

### **i. Draft Risk Appetite Statement (RAS)**

The DPFR presented the Draft Risk Appetite Statement (RAS) and highlighted the following points:

- The report provides clarity on the level of risk appetite agreed by the Board and identifies key risks, levels of assurance and actions as appropriate in order to stay within the agreed tolerance of risk.
- The document outlines the Risk Appetite Statement (RAS) of the College in 2022/23 taking into consideration the risks identified in the College's Risk Register and will be part of the College's overarching Risk Management Framework.
- The College's key strategic objective is to deliver outstanding technical and professional learning, which raises aspirations, develops skills and creates futures.
- This document sets out the framework for assessing and monitoring risks to the College in relation to its overarching strategic objective to inform decision making and highlights the owned control environment for the College Executive and Corporation.
- The RAS is broken down into individual risk types. For each risk type, the relevant subject matter experts were consulted. The RAS should be reviewed on an annual basis (or as required by a business need as result of in-year risk events) as the appetite may change depending on the performance and internal and external environment.
- The RAS will be piloted in academic year 2023/24 to enable the statements to be tested and revised as necessary before being fully formalised in 2024/25.

The Chair observed that it will be good to have a pilot phase to be able to define quantitatively and further align with strategic objectives. The Principal said that until we start using the RAS as a management tool, we are not sure how it will work and be further shaped.

SP observed this is the best RAS he has seen in any sector and that he has not seen this level of detail anywhere. SM agreed.

There was a discussion around the level of appetite for non-compliance and the DPFR explained that the chosen measure is, so we do not have to report every recommendation. It is not possible to have a zero appetite as we need to allow for minor compliance issues. We will see at the end of the pilot what the outcome and impact is.

The Chair suggested and it was agreed to add a dashboard /1-page table showing where we have been compliant or are in breach.

The Committee agreed that the RAS needs to be owned by the whole Corporation to ensure the pilot works well.

**The Committee agreed to recommend the draft Risk Appetite Statement to the Corporation for approval.**

### **ii. Update on the College Risk Register.**

The DPFR presented the Risk Register showing pre and post mitigation scorings, and controls in place to mitigate risks. The DPFR advised the Committee of the Top 5 risks on the register, key risk movements and updated activities.

The Committee thanked the DPFR for the good report and showing clearly what and how each risk has changed.

There was a discussion around the different risk matrices each set of auditors use to classify risks

and how they contribute to the College's own assessment. The Chair suggested and it was agreed that the DPFR add a footnote on the risk register to this effect.

**The Committee received and noted the updated College Risk Register.**

#### **1602 COMMITTEE BUSINESS**

##### **i. Review of Committee's Terms of Reference And Cycle Of Business**

The Committee undertook the annual review of the Committee's Review of Committee's Terms of Reference and Cycle Of Business and noted the recommended changes. The DoGov apologised for some wording errors in clause 4.1 and clarified what it should be, which the Committee was satisfied with. It was agreed the DoGov would send round the corrected version for the Committee to check before submitting to the Corporation for approval.

**The Committee agreed, subject to the above, to recommend the Committee's Terms of Reference, to the Corporation for approval.**

##### **ii. Review of Auditors Own Self-Assessment Against the College's**

The DoGov presented the report and highlighted where the Auditors' responses to questions were different to those from the College. The DPFR confirmed that, following the discussion at the last meeting she has addressed the issues and concerns raised by the Committee in their assessment feedback with the auditors and is now having regular meetings with them as reported in minute 1599.

**The Committee received and noted the report.**

#### **1603 INFORMATION ITEMS**

The Committee received and noted the following:

- i. Confirmation of The College's Financial Health Grading 2021/22 as 'OUTSTANDING'.  
The Chair asked what proportion of colleges nationally were graded Outstanding in 2021-22. The Principal said that information is not yet available but will advise the Committee if and when it becomes so. The Chair then suggested, and the DPFR agreed, that it would be a good exercise to use the Financial Health Grading as a starting point for reverse stress testing.
- ii. The Post 16 Audit Code of Practice 2022-23.
- iii. The ONS Reclassification of Colleges update- College MPM Return (31-03-23).

#### **1604 DATE OF NEXT MEETING**

Autumn Term – TBA

#### **1605 ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE AUDIT AND RISK COMMITTEE**

The Committee is asked to note that agendas for future meetings will include the following items:

- o Monitoring Statement on issues previously identified in reports presented to the Committee
- o Internal Audits
- o Review of Audit Reports and outstanding recommendations
- o Risk Register
- o Reserves Policy
- o Review of performance of Auditors duration.

#### **1606 ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE**

20.20 finish

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