

EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

Meeting	AUDIT COMMITTEE		
Date	Thursday 17 June 2021	Time	18.00
Venue	Virtual meeting via Zoom		
Chair	Maria Vetrone		
Committee: Maria Vetrone (Chair); Callum Anderson; Shawez Mir; David Paine; Saad Siddiqui (co-opted member)			
In attendance: David Hoose – Mazars; Anil Nagpal – Chief Operating Officer (COO); Karen Redhead - Chief Executive (CEO); Ra Hamilton-Burns – Interim Governance Advisor (IGA)			

ITEM				
1.	APOLOGIES FOR ABSENCE Callum Anderson had sent apologies.			
2.	DECLARATIONS OF INTEREST There were no declarations of interest.			
3.	MINUTES AGREED: THE MINUTES OF THE PREVIOUS MEETING HELD ON 25 FEBRUARY 2021 WERE APPROVED AS AN ACCURATE RECORD			
4.	<p>Matters arising Ra Hamilton-Burns updated the Committee and reported that all matters arising had been completed.</p> <table border="1"> <tr> <td>1.</td> <td> <p>Item 5.1 - Strategic risk register</p> <ul style="list-style-type: none"> AN to update the risk register to indicate movement of risks in the summary sheet AN to add more quantification to financial risks and apportion risk scores such as high, medium, and low to them. AN to review the RAG rating for assurance to ensure that it is appropriately positive AN to highlight any changes to the risk register and the reasons in future coversheets on risk </td> <td> <p>These have been taken into account in the risk register on these papers.</p> </td> </tr> </table>	1.	<p>Item 5.1 - Strategic risk register</p> <ul style="list-style-type: none"> AN to update the risk register to indicate movement of risks in the summary sheet AN to add more quantification to financial risks and apportion risk scores such as high, medium, and low to them. AN to review the RAG rating for assurance to ensure that it is appropriately positive AN to highlight any changes to the risk register and the reasons in future coversheets on risk 	<p>These have been taken into account in the risk register on these papers.</p>
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2.	Item 7.3 – Fraud report <ul style="list-style-type: none"> AN to bring the fraud checklist to the Committee when the next accounts direction is released. 	AN has completed this and it is attached to the report.

5	RISK MANAGEMENT REPORTS
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5.1	<p>Strategic risk register including Covid - 19 Anil Nagpal presented the risk register which did not contain a great deal of change and pointed out the movement in the level of risks outlined. He has included an overview of all the risks indicating visually the trends and movement since the last report.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="text-align: left;">Risk</th> <th style="text-align: center;">Core College Jun 2020</th> <th style="text-align: center;">Core College Oct 2020</th> <th style="text-align: center;">Core College* Dec 2020</th> <th style="text-align: center;">Core College* Jan 2021</th> <th style="text-align: center;">Core College* Mar 2021</th> <th style="text-align: center;">Core College* Jun 2021</th> </tr> </thead> <tbody> <tr> <td style="background-color: red; color: white;">Significant</td> <td>7</td> <td>6</td> <td>7</td> <td>4</td> <td>5</td> <td>5</td> </tr> <tr> <td style="background-color: orange;">High</td> <td>5</td> <td>7</td> <td>13</td> <td>12</td> <td>12</td> <td>11</td> </tr> <tr> <td style="background-color: yellow;">Acceptable</td> <td>9</td> <td>9</td> <td>7</td> <td>11</td> <td>11</td> <td>10</td> </tr> <tr> <td style="background-color: green;">Low</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> <td>1</td> <td>3</td> </tr> <tr> <td>Total</td> <td>21</td> <td>22</td> <td>28</td> <td>28</td> <td>29</td> <td>29</td> </tr> </tbody> </table> <p>*incorporates C-19 risks</p> <p>Governors noted that the summary has not changed since March with only the level of risk being adjusted with the total number of risks remaining the same. Anil Nagpal commented that risks on TPS costs have been downgraded as has the risk on College finance systems operating remotely as it has been demonstrated that this works well. The high-level risk that was reduced is the non-pay item which Anil Nagpal is now confident will come in under forecast.</p> <p>Governors asked if there is any external assurance from the internal auditors for example, to test the risk scores. Anil Nagpal reminded the Committee that the third line of defence is provided by the scrutiny from external agencies and cited the FE Commissioner team as an example.</p> <p>There was a suggestion that the internal audit service might also provide an additional third-party assurance on the risk management process. David Hoose reminded the Committee that Mazars had carried out an internal audit on risk management and assurance mapping in 19/20 with adequate assurance.</p> <p>Risk 6 – Loss of cost recovery income from self-funded courses (eg IELTS) and lettings etc. Governors asked for clarification on the position of this risk and if the loss of circa £1m has crystallised. Anil Nagpal explained that the College is tracking a loss of income at circa £1m adverse overall – some in part due to commercial income loss from C19 and some related to</p>	Risk	Core College Jun 2020	Core College Oct 2020	Core College* Dec 2020	Core College* Jan 2021	Core College* Mar 2021	Core College* Jun 2021	Significant	7	6	7	4	5	5	High	5	7	13	12	12	11	Acceptable	9	9	7	11	11	10	Low	0	0	1	1	1	3	Total	21	22	28	28	29	29
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	<p>deferred capital grant. The comment on the underlying favourable position arises from discussions with the FEC team which outlined an underlying position of £0.5m positive against forecast.</p> <p>The Committee asked what the mitigations for this item might be. Anil Nagpal said that the College has:</p> <ul style="list-style-type: none"> • Focussed on income and, for example local authorities' payment profiles. • Adopted a business partner approach with LA senior finance reps. • Any outstanding billing of work being checked, for example any commercial income due • Continued to track all income streams carefully. • Put in place detailed monthly meetings with Budget holder to monitor performance <p>Governors asked if focussed marketing plans would feature. Anil Nagpal responded that there weren't marketing programmes specifically in relation to this risk, but a great deal of work is being done by the marketing team on enrolment. Karen Redhead explained that there had been more emphasis on employer engagement and David Warnes had reported in detail to the Board at its May 27, 2021, meeting.</p> <p>MV said that on risks 1 and 2 for example there is a great deal of detail in the lines of defence, and she feels that the College is too hard on itself in its RAG rating. AN said he will adjust the register accordingly.</p> <p>Risk 7 – Risk to student recruitment for 21/22 because of the move to virtual Open Days and other marketing events due to Covid-19 and social distancing.</p> <p>Governors commented that it was noted that the gross score and risk score are the same which implies that any action taken has not been effective. Anil Nagpal responded that the scoring indicates the uncertainty which still exists on this item.</p> <p>Maria Vetrone commended the effective and informative risk overview but noted that there had not been any downward movement on the RAG ratings and asked why. Anil Nagpal explained that it is partly the Finance team erring on the side of caution but reflects the fact that the risks are ongoing, and the outcome will not be known until the end of the year.</p> <p>The Committee thanked Anil Nagpal for the well-developed risk processes and reports.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE COLLEGE RISK REGISTER INCLUDING RISKS AROUND COVID 19 TO THE BOARD.</p>
6	<p>Annual Internal Audit plan 2021-22</p> <p>The Committee noted that Mazars was appointed as internal auditors to West London College from February 2019.</p> <p>David Hoose presented the internal audit strategy and operational plan for 2021-22. He reminded members that the College has retained a full-scope internal audit service.</p> <p>Page 37 outlined the proposed internal audits for the coming year:</p> <ul style="list-style-type: none"> • Marketing and learner journey • Learner number systems • Sub-contracting review • Quality management • HR • Estates <p>The operational plan outlined 47 days of activity.</p> <ul style="list-style-type: none"> • 35 for internal audit visits • 4 for follow up of prior visits • 8 for audit management activity

Governors noted the link to the corporate risk register and if there is any activity that the internal audit service does to discuss any risk which is not included and should be. David Hoose said that Cyber Security has been one item of discussion with the management team. Governors asked if this plan includes all the highest risk areas in the College and if financial controls should be included. David Hoose reminded the Committee that this plan is part of a three-year cyclical plan and said that he is comfortable that, as such, it is complete.

Governors asked that financial management or key financial controls be covered every year. Karen Redhead acknowledged that quality management and teaching and learning is on the risk register but would want to understand what format the audit could take to be as informative as possible. David Hoose responded that it is likely to focus on compliance and agreed that a discussion would be useful. Karen Redhead reminded colleagues that FEA has provided significant input and audit of the quality systems recently and is going to provide support for next year.

Action: Financial controls to be included in the internal audit plan for 2021-22

Action: DH to discuss with KR the scope of a quality and teaching and learning audit

It was agreed that Mazars would review the plan with Anil Nagpal. David Hoose said that Mazars is seeing internal audit plans set with some 'as yet unidentified' reviews to allow capacity for emerging items.

There was a discussion about which areas are the least urgent. Governors suggested that quality management, marketing and learner journey might be delayed for a future year. Some or all of these might be postponed in order to accommodate the Financial systems review and allow Mazars to adopt the 'as yet unidentified risks' approach with some capacity in the plan for floating days for a third line of defence linked to the assurance map when it is needed. David Hoose did not disagree but voiced slight reticence because the items had been identified as they appear on the risk register with significant risk. He commented that such a significant proportion of floating days needs 'to be allocated' rather than be left as 'contingent' days in order to provide evidence to support an audit opinion at the end of the year.

Anil Nagpal confirmed that the budget for internal audit is set. He voiced concern about the request to add an internal audit of financial management as an annual item. He reminded the Committee that the financial systems have been audited extensively over the past year both by RSM and Mazars and by FEC, ESFA and the IBR. He concurred that financial management is critical to the College but considered that the audit of finance is extensive and more would impede the finance team's ability to carry out its day job. Maria Vetrone responded that, whilst she agreed that finance had been audited extensively, the Audit Committee is charged with providing assurance to the Board through an appropriate audit plan and that financial controls are a critical element that should be audited annually.

Hannah Catchpool said that RSM seeks evidence on core systems at year end. She reminded governors that they are required to sign an annual statement on processes and assurance. It is not unusual to see some elements of financial controls covered on an annual basis albeit if it is cyclical.

Maria Vetrone summarised that management and internal audit will review the audit plan and the Committee asked that it includes some element of financial controls. The plan might also include floating days aligned to the assurance map. This draft can be circulated to the Committee in order that it can be recommended to the Board in the autumn.

Action: AN and DH to provide an updated draft Internal Audit and circulate it to the Audit Committee for approval to recommend

External Audit work plan 2021-22 (financial statements and report)

Hannah Catchpool presented the work plan for RSM for 2021-22. This report has been prepared prior to detailed planning work and may change if significant matters come to light. The timetable is self-explanatory and RSM is working towards a December 2021 signoff.

She outlined the key risks in respect of the financial statement opinion:

- Income recognition
- Management override of controls
- Going Concern and Covid-19
- Pension Scheme Liability
- Dilapidation provision
- Key laws and regulations
- Capital Talent Box Limited
- Regularity assurance work

The external audit service fees were outlined and will be between £56,720 and £61,720. The variable amount takes account of the uncertainty generated by the ESFA not providing the external auditor assurance over income recognised in the accounts from funding grants generated through ILR returns.

Governors asked if the overruns and delay costs from last year are considered in the coming year's fees or would be additional if external factors were to cause delays again. Hannah Catchpool said that some of the factors have been built into the contingency so it is hoped that overruns will not be repeated.

Hannah Catchpool reminded the Committee that the statement of Going Concern remains an item of concern. The issues last year with the reservation of rights and delay to the IBR led to a delay in the sign off of the accounts albeit that the team still met the deadline of January 31 2021. The payment schedule to the ESFA cannot be put in place until the IBR is concluded so this is an area of uncertainty.

Governors asked how much additional work will be generated by the ESFA not providing external auditor assurance. Hannah Catchpool said this will not be unsubstantial but is yet to be quantified which has resulted in the range outlined on the fees page. RSM is discussing this with other audit firms to establish a sector standard. It is hoped that this work can be done as early as possible so that the end-of-year work is not impacted.

Governors asked for a view on the quality of the controls as the approach adopted by RSM of substantial testing places no reliance on the College's own concern. Hannah Catchpool says that RSM walks through all the College's systems to gain comprehensive and up-to-date understanding. It is more efficient to perform a substantive test than risk a 'fail' during the process which would call into question the integrity of the entire test. The Committee asked if there were any actions that management could take to change this approach. Hannah Catchpool said no matter what was done there would always be an amount of substantive testing. Governors commented that the audit opinion needs to be based on other sources of assurance in addition to the substantive testing.

Also outlined were potential costs at circa £39k to provide assistance in preparation of the financial statements and an annual report of factual findings on the College's TPS end of year certificate of £1,800.

Maria Vetrone commended the project managed approach used last year which worked well. Anil Nagpal agreed that the plan was well designed with some detail still to be worked out.

AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE EXTERNAL AUDIT PLAN FROM MAZARS FOR 2021-22

8	<p>Update on internal audit visits</p> <p>David Hoose reported that the subcontracting and cashflow and creditor management reports have been finalised and are in item 8.1. Mazars has also completed work on the Learner Number Systems review and the Staff Planning and utilisation review. Reports will come to the next meeting.</p> <p>Progress had been discussed at a catch-up meeting which was held with Anil Nagpal on 10 June 2021 and Ed Martin had been introduced as a replacement for Lucy Jarrett as engagement manager on the account.</p> <p>Mazars had also been invited to submit a proposal to review the Business Continuity Process at the College. David Hoose said that Mazars had advised that an external consultant would be more appropriate to carry out this work.</p> <p>ACTION: AN will report back on potential external consultants to support the College with Business Continuity Process and policy.</p>
8.1	<p>8.1a – Subcontracting</p> <p>The visit tested specific areas:</p> <ul style="list-style-type: none"> • General subcontracting requirements • Selection and procurement • Entering into a subcontract • Monitoring • Reporting on subcontracting; and • Distributing income between the College and its delivery subcontractors <p>The visit had taken place under the restrictions of Covid 19. There were only two minor housekeeping recommendations, and the report is very pleasing.</p> <p>Mazars will provide a certificate for the College to provide assurance that they can sign the document.</p> <p>8.1b - Cashflow/creditor management</p> <p>The report has had several iterations which resulted in a split opinion:</p> <ul style="list-style-type: none"> • Cashflow received substantial assurance • Creditor management received adequate assurance <p>There were four housekeeping recommendations on the creditor management opinion:</p> <ul style="list-style-type: none"> • <i>The Financial Regulations should confirm the process for approval of purchase requisitions above £300,000 as per the system controls in place established by the COO.</i> The College will review its financial regulations in light of this recommendation by July 2021. • <i>WLC should maintain a register of budget holder approvals for yearly invoices paid via monthly direct debits.</i> The College explained that these items relate to business rates which are not negotiable. • <i>WLC should produce a cashflow and creditor management policy and/or procedure document to confirm the processes currently in place.</i> The management of cashflow is firmly embedded in College culture. The COO will look into a separate creditor management policy. • <i>WLC should include commentary supporting the cashflow sensitivity analysis figures in the monthly management accounts. Commentary should explain how financial changes impact the College's operations.</i>

	<p>Detailed cashflow commentary is produced three times in-year. The COO has adopted the proposed framework for management accounts set out by the FEC in 2020. The risk register updates will incorporate figures of material impact.</p> <p>Anil Nagpal has provided significant additional assurance. Mazars has no significant concerns.</p> <p>Governors discussed the variance in the assurances and Maria Vetrone had discussed this with Anil Nagpal prior to the meeting.</p> <p>Action: It was agreed that David Hoose will revisit the levels of assurance and reissue the report.</p>
9	Update on implementation of outstanding internal and external audit recommendations
9.1	<p>Internal audit recommendations</p> <p>There has been no change since the last meeting. Good progress is being made with all 2019/20 recommendations being closed. The recommendations identified in the current year will be implemented in full and Mazars has followed this up as part of the IA plan. The new set of recommendations will come to the autumn meeting.</p>
9.2	<p>External audit tracker</p> <p>The final Audit Findings Report, along with the financial statements, were reviewed and subsequently signed off in January 2021. The Final Audit Findings Report summarised the key findings in connection with the audit of the financial statements of the College and the regularity assurance conclusion in respect of the year ended 31 July 2020. The final Audit Findings Report outlined the key issues and recommendations.</p>
10	<p>Fraud report including checklist (si)</p> <p>There are no new reported or known instances of fraudulent activity recorded in the College since the last Committee meeting.</p> <p>Anil Nagpal presented an anti-fraud checklist for post-16 providers, as requested by members of the Committee during the last Audit Committee meeting in February 2021.</p>
11	<p>College Accounts Direction 2020/21</p> <p>The report outlined the major changes in this year's Accounts Direction and noted the actions that the College and Board would take.</p> <p>Ra Hamilton-Burns drew the attention of the Committee to the key items that the Committee needed to consider:</p> <p>Annex A – the accounts should include a link to the DfE's governance guide. This will be done and the Governor briefing will signpost this guide to refresh the Board's mind.</p>
12	<p>Item for information</p> <p>Audit Code of Practice update</p> <p>Anil Nagpal presented the changes outlined in the Audit Code of Practice¹ 2020-21 and the notes on the College's position against each.</p>

¹ <https://www.gov.uk/government/publications/post-16-audit-code-of-practice/post-16-audit-code-of-practice-2020-to-2021-web-accessible-version>

	<ul style="list-style-type: none"> • Item 2 – independent assurance on subcontracting arrangements had been covered in Item 8.1 • Item 4 – Clarification on the effectiveness of the Committee and abilities of its members and Item 5 – the requirement of the audit committee to consider the development and training available to its members. It was agreed that Ra Hamilton-Burns would send a reminder of training provided and an effectiveness survey. <p>Action: RHB to issue a committee evaluation and effectiveness survey to the Committee.</p> <ul style="list-style-type: none"> • Item 9 – the requirement for corporations to have a policy in place for regular re-tendering of external auditors at least every five years. Hannah Catchpool explained that the College appointed RSM for 2013 year-end. There have been several mergers for RSM in the interim and the position is not clear. She will investigate further and report back to the Committee. <p>Action: HC to report the RSM contract date and position to the Committee</p> <ul style="list-style-type: none"> • Item 11 - An expectation that departing accounting officers provide a statement on regularity, propriety and compliance covering the reporting period up to the date of departure where possible. Karen Redhead agreed that this will be done when appropriate. • Item 12 - Clarifying that external auditors, will present their findings annually to the board of governors. Hannah Catchpool agreed that she will attend the Board meeting in December 2021.
13	<p>Any other business Hannah Catchpool asked all members of the Committee and management team if they were aware of any issue of fraud or potential whistleblowing. Each confirmed that they knew of none.</p>
14	<p>Committee evaluation</p> <p>Members commented that they felt it was another good meeting, again seeing a continuation of the positive trajectory and further solid internal audit findings demonstrating that. One governor added that they found it strange the Committee spent a great deal of time on the internal audit plan but considered that it reached the right conclusion.</p> <p>The Chair added that the contributions from everyone throughout the meeting were of high quality and to the point. A lot of business was done in a short timeframe, mainly because the quality of the documentation was high and easy to get through. There was good constructive challenge of both auditors and management, although I am concerned about the workload of the management team and the continuing uncertainty around the eventual outcome of the IBR, which seems to be never-ending and is clearly having a detrimental effect on the morale of staff at the College.</p> <p>The meeting ended at: 19.45</p>
14	<p>Date of Next Meeting Tuesday 5 October at 18.00</p>