

EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

Meeting	AUDIT COMMITTEE		
Date	Tuesday 6 October 2020	Time	18.00
Venue	Virtual meeting via Zoom		
Chair	Maria Vetrone		
Present: Maria Vetrone; Callum Anderson; Shawez Mir; David Paine			
In attendance: Annabel Faulkner – Mazars; David Hoose – Mazars; Anil Nagpal – Chief Operating Officer (COO); Karen Redhead - Chief Executive (CEO); Ra Hamilton-Burns – Interim Governance Advisor (IGA)			

ITEM	
1.	<p>APOLOGIES FOR ABSENCE There were none.</p> <p>It was noted that the CEO, Karen Redhead, will attend the December meeting at which the annual statements are reviewed and recommended to the Board.</p> <p>Maria Vetrone welcomed David Hoose, new partner at Mazars.</p>
2.	<p>DECLARATIONS OF INTEREST There were no declarations of interest</p>
3.	<p>MINUTES Correction Item 6.2 – ‘The payroll report item noted that there were no recommendations.’ The Committee agreed that this should be corrected to read ‘did not have any fundamental recommendations’</p> <p>AGREED: THE MINUTES OF THE PREVIOUS MEETING HELD ON 7 JULY 2020 WERE APPROVED AS A CORRECT RECORD WITH THE AMENDMENTS OUTLINED ABOVE.</p>
4.	<p>MATTERS ARISING</p> <p>Item 5.2 – <i>Anil Nagpal to review the Amber ratings on the Risk Assurance Report</i> – Anil Nagpal confirmed that this had been done and that the item is on the agenda as Item 5.2.</p> <p>Item 6.1 – Risk management and assurance mapping – <i>Mazars and Anil Nagpal to review the item related to including the KPIs in the College’s strategic plan</i> - Anil Nagpal has discussed with Annabel Faulkner.</p> <p>Item 6.2 – Payroll incident - <i>GC agreed that he would review the College’s internal investigation report and map it to Mazar’s audit report and send the report to the Committee via the Clerk.</i> This has now been concluded.</p> <p>Item 8 - Risk management policy - <i>Governors asked Anil Nagpal to review the statement on net</i></p>

	<p><i>risk and amend or delete it as appropriate.</i> Anil Nagpal has reviewed this and will report back</p> <p>Item 8.2 Anti-fraud, bribery and corruption policy – <i>Anil Nagpal to correct missing reference on page 9 Item 1a.</i> Anil Nagpal made this correction</p> <p>Item 11 - Guidance from NAO for audit committees on reporting during Covid-19 - <i>Anil Nagpal to map the NAO guidance on reporting during Covid-19 to College processes.</i> Anil Nagpal ensures that this guidance is kept in mind as Covid 19 reports are made.</p>
5.	Risk management reports
5.1	<p>Strategic risk register including Covid - 19 Anil Nagpal presented the updated risk register and reminded governors that it is reviewed regularly. There have not been many material changes, but one risk has been added. Anil Nagpal invited questions.</p> <p>Shawez Mir commented that, whilst he recognised that some of the risks remain longstanding, which of the seven most significant risks that Anil Nagpal considered might occur during the academic year? He asked what the impact on the College would be if any of these was to happen. Anil Nagpal responded that they are all significant risks which are identified by the scoring mechanism and they reflect the fact that the FE sector is facing difficult times with increased risks exacerbated by the pandemic. Maria Vetrone concurred with Anil Nagpal's views and added that the risk register at the College at which she works is similar as it reflects the challenging times and she agreed that any of these risks could occur at any moment. Anil Nagpal added that if these risks were to manifest the impact on the College would be significant. Maria Vetrone said that this underlined the importance and prudence of the College's action plans.</p> <p>Governors asked how the College teams are managing in these challenging situations, how morale is and if colleagues are able to focus on forward planning and progress rather than firefighting. Anil Nagpal said these are good questions and said that the Finance Team is working hard to make progress. It is hugely committed, and the College is actively seeking a substantive Finance Director. Whilst enormous improvements have been made in the last few months, they are hampered by poor IT systems and the current challenges of the pandemic.</p> <p>Governors asked what the direction of travel is on the risk referring to creditor stretching. Anil Nagpal said this position has improved significantly once the loans from the ESFA were received and the sale of blocks A & B at Southall were completed. Apart from situations where payments are disputed or payment plans are in place there are no significant outstanding creditors.</p> <p>Risk 3: failure to achieve 16-18 enrolment Governors asked if the trajectory arrow should be pointing upward. Anil Nagpal said that he had put it facing down as it reflects the enrolment position but he will review.</p> <p>Risk 7: increase in Teachers' pension costs Maria Vetrone commented that the LGPS position at her College is distressing and asked if WLC is having the same issue. Anil Nagpal said that the report has been received and the effect on the balance sheet is a further defined liability of circa £11m. Maria Vetrone asked if it will affect the score but Anil Nagpal said that to date this item reflects the TPS position but he will include LGPS going forward.</p> <p>Risk 8: Maintain a positive cashflow Governors asked for which items the ESFA declined to provide loan funding. Anil Nagpal explained that one was centred on an historical subcontracting issue and the other was funding related to the Gateway project.</p> <p>Risk 9: student data. Governors asked what the team would need to reduce this risk to below significant and recognise that significant progress has been made. Anil Nagpal said that, since the MIS Director had joined the College, huge improvements are in place but it is necessary for Mazars to review and ratify the position before it will be altered.</p> <p>Risk 11: IT security. Governors asked if the internal audit report's recommendation on firewalls will affect the scoring of this item. Anil Nagpal said the internal audit report will be reflected in the next iteration of the report. The College's head of IT has just completed a cybersecurity course and the</p>

	<p>College will put mitigations in place. Governors asked if the College would spend the ESFA allocation on this area. Anil Nagpal is meeting with Terry Stevens and Karen Redhead on 7 October to discuss this and assess that it is within scope.</p> <p>Risk 14: failure to ensure quality of education is at least ‘good’. Governors asked why progress is slow. Anil Nagpal said that there has been a resource issue but recent appointments to the management team mean that the College is already addressing this issue.</p> <p>Risk 19: Deliver the Hammersmith Gateway capital project. Governors asked when the dispute over the listing status is likely to be finalised. Anil Nagpal said that the College does not know but Laurie Morley has been liaising with the Minister and chasing a resolution.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the risks identified in the risk register and the status of these risks • Noted that the risk register has been updated significantly to align with the new Strategic Plan and incorporate the risks due to Covid-19 • Noted the Risk Assurance Map which has been included for your review • Noted and approved the approach being adopted by Senior Leadership Team (SLT) to further develop a comprehensive risk register which adopts a college wide approach to capture emerging risks • Noted that the operational risks will be developed, and these will be reported to the Committee; a cross-departmental meeting has been set up to identify and review operational risks; this forum will meet on a termly basis <p>Maria Vetrone thanked Anil Nagpal for his comprehensive report.</p>
5.2	<p>Risk assurance framework</p> <p>Anil Nagpal had updated this report and explained that there are no major changes and he has upgraded some of the assurance grades.</p> <p>Governors asked if the College is prioritising the areas with risks with low assurance. Anil Nagpal said that the management team is still getting used to the framework, but they are focussing on the risks that require the most monitoring.</p> <p>Maria Vetrone suggested that more of the areas should move to green rating as the governors can take assurance from the framework and the positive actions in the lines of defence. It is possible to indicate that the assurances may be low but they are in place. David Hoose agreed and said that the narrative indicates that there is a lot of assurance in place.</p> <p>ACTION: Anil Nagpal to review the RAG ratings and consider changing them to Green.</p>
6.	<p>Internal audit reports</p> <p>Financial Planning, Forecasting, Budgetary Controls and Reporting</p> <p>Annabel Faulkner explained that this area is reviewed annually as it is key to central systems and the financial position of the College. The audit had resulted in an audit opinion of adequate assurance with one significant recommendation and one housekeeping.</p> <p>The significant recommendation is that the College should incorporate the entire budget, including income, pay and non-pay expenses in Technology One¹. The College should ensure that it is meeting management account reporting timescales. Further, the College should review system functionality and consider the need for further enhancements. Anil Nagpal reported that the budget will be uploaded for 2020/21. He explained that, whilst the accounts are produced each month, the timings of the meetings mean that dissemination falls outside of the following month. Anil Nagpal reported that these management accounts will be circulated to all Board members via email when available to enable them to review them. Maria Vetrone commented that this is a useful recommendation.</p>

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https://technologyonecorp.co.uk/?industry=all&campaign_type=net_new&bt=460031866968&_bk=technology%20one&_bm=e&_bn=g&_bg=103311572345&gclid=Cj0KCQjw5eX7BRDQARIsAMhYLP8GfyocIFMCL5_Wd2wtQAKOkL9Uu-eGGDP-ED-g0AkV-btHYzCTS4aAvb4EALw_wcB

Action: Anil Nagpal to circulate the management accounts via email to the Board as soon as finalised.

The housekeeping recommendation is that the College should finalise and include the contribution analysis as part of the management accounts. Anil Nagpal explained that the contribution analysis model had been developed with the support of an expert consultant and this will be incorporated into management reporting. It will not feature in management accounts but rather be updated and produced at least twice a year. Governors asked if this will give contribution by department. Anil Nagpal confirmed this and that it will inform the curriculum planning process.

Mazars noted that the Financial regulations have been updated and approved by the Board.

Maria Vetrone thanked Mazars for a clear and comprehensive report.

IT Controls

Annabel Faulkner reported that this report was commissioned by the Audit Committee last year and in response to the recent cyber security threats to FE colleges. The audit had resulted in adequate assurance with four significant recommendations:

1. **Firewalls:** An upgrade plan for the firewall firmware should be agreed and implemented with the Firewall Support Service. Anil Nagpal explained that the College has started discussions with its firewall support provider and will upgrade its firmware to the most recent version. Governors asked why this had not been upgraded. Anil Nagpal said that he was unsure but it may have been due to financial issues, but this has now been addressed. Governors asked if the College had costed the implications of upgrading the IT system appropriately. This discussion relating to IT infrastructure will take place on 7 October ready for a report to the ESFA on 16 October.

2. **IT team involvement with leavers:**

The leavers' process should be reviewed and documented to ensure consistency of processes and controls and to support the timely removal of leavers from infrastructures and systems. In addition to the automated process, HR will provide a list of leavers to ITS each month who will ensure that leavers' accounts and ID cards are suspended. The frequency of this will be kept under review and it will be documented.

ii) A further control to identify inactive users should also be implemented to identify users who may have left the organisation. For example, many organisations implement controls that disable user accounts after a set period of inactivity. ITS and HR will work together to review lists of inactive accounts and this will be formally documented.

3. **Administrator accounts:** As planned, the College must address the issue of the use of the default administrator account as soon as possible to do so. Anil Nagpal reported that ITS aims to complete this in the first six months of the academic year.

4. **User security:**

The College should consider the enforcement of complexity rules at the network level and not rely purely on policy. Anil Nagpal responded that domain-wide password complexity rules will be embedded for staff in the first half of the academic year.

The College may also wish to consider a more frequent forced password change policy for staff users i.e. 90-100 days rather than 180 days. The College responded that it is satisfied with the measures in place for password change frequency.

Governors commented that it was surprising that IT is not already more involved in staff being onboarded and asked if they will be integrated in the process going forward. Anil Nagpal said that this will be the case and there is more work to do. He is working with the new Director of HR to integrate finance and IT into the induction process.

housekeeping recommendation:

IT team involvement with new starters: The provisioning of user access should be documented in a formal policy including how IT access is requested, approved, provisioned, and reviewed regularly. Anil Nagpal responded that a policy clarifying user account management will be shared for internal review and approval. Once complete it will be shared on the intranet and online IT services helpdesk.

6.1	<p>Internal Audit Progress report</p> <p>Mazars noted that, since the Audit Committee meeting in July 2020, it has continued to deliver the agreed audits in the plan but recognised that there were logistical challenges.</p> <ul style="list-style-type: none"> • David Hoose has been appointed as the Mazars’ partner for WLC. He presented the report and said that the only item outstanding is Mazars’ work on follow-up which will necessitate on-site visits which are problematic during the pandemic. Mazars recognised that the College has made pleasing progress. • The report summarised the internal audits including changes to timing which took place during 2019/20. <p>Anil Nagpal commented in A1 plan overview that the recommendations are transposed. Mazars will correct and reissue.</p> <p>The internal audit report will come to the December Audit Committee meeting.</p>
7	<p>Update on implementation of outstanding internal and external audit recommendations</p>
7.1	<p>Internal audit recommendations</p> <p>Anil Nagpal reported that the College is still collating a few items of evidence, but they are working closely with Mazars and there is pleasing progress.</p> <p>MIS recommendations from 2018/19 – Governors asked why some of the items are still outstanding. Anil Nagpal explained that the MIS/Learner numbers area has seen significant progress but the College needs Mazars to revisit and validate that they are now closed. And this necessitates an on-site visit. Governors asked if this position represents significant risk. Anil Nagpal explained that the risk was no more significant than usual, but the current position is unusual in that recent progress cannot be validated.</p> <p>It was agreed that items that are superseded can now be closed. Anil Nagpal sought the view of Mazars. David Hoose said that there are recommendations that overlap so duplication can be removed but he agreed that Mazars will review items to assist the college in closing them down.</p> <p>Mazars’ independent report for all recommendations prior to 2020 will come to the December Audit Committee.</p>
7.	<p>External audit recommendations</p> <p>Anil Nagpal reported the items reported by RSM at the last meeting and have been addressed by the team. Most items are complete, and this will be reported in the upcoming external audit. There are two items still in progress to be completed in time for the annual statements:</p> <ul style="list-style-type: none"> • Fixed asset register. Last reviewed in 2015 and it has involved a huge amount of work. The team considers that the numbers are right but there is a lot of detail involved so it is taking longer than anticipated. • Deferred capital grant register <p>Governors asked if the numbers will be ready for the fixed asset register. Anil Nagpal confirmed that this has been validated and the College is being supported by a consultant from RSM. There is a potential that this will have an adverse effect on the accounts albeit a non-cash impact. Governors asked if Technology One had caused the problems on the fixed asset register. Anil Nagpal said that the system does not help the situation, but the main cause was failure to maintain the register. This issue pre-dates all members in the finance team so is time-consuming to correct.</p> <p>Governors asked if the team is ready for the external audit. Anil Nagpal said that the team is ahead of the position this time last year and progress is being made. Maria Vetrone asked if the College will make the reporting deadline which has been pushed back until January 2021. Anil Nagpal is aiming to get this complete by December 2020 but recognises that the extended deadline is helpful as it is an ambitious deadline.</p>

	The Committee asked if the College is ready for the external audit. Anil Nagpal confirmed that this is the case and that RSM will commence detailed fieldwork on 19 October 2020.
Items for Consent – scrutinised, and recommended by the SLT for approval	
8.	<p>Health and Safety annual report</p> <p>The Committee reviewed the report and noted that:</p> <ul style="list-style-type: none"> • that the College continues to be Health & Safety compliant in all physical and procedural statutory requirements • that completion of staff Health & Safety training is below target • two RIDDOR reportable instances in the period • there were no reported cases of Covid-19 in the reporting period <p>AGREED: THE AUDIT COMMITTEE AGREED TO APPROVE THE REPORT AND RECOMMEND THE HEALTH AND SAFETY ANNUAL REPORT TO THE BOARD AT ITS MEETING ON 22 OCTOBER 2020.</p>
9.	<p>Disaster recovery policy and procedure</p> <p>This report was deferred.</p>
10.	<p>Fraud report</p> <p>Anil Nagpal reported that there were no new cases of fraudulent activity but offered an update in the case of a previously reported incident whereby five refund transactions had been carried out at the Park Royal campus in January 2019 resulting in a loss of £27.8k to the College. A significant amount of the money has recently been recovered. The College's account was credited with £22.8k by the bankers in September 2020 in relation to this incident, leaving a small net loss of £5k.</p> <p>The Committee noted the report.</p>
11.	<p>Terms of reference and cycle of business</p> <p>The Committee noted that the current terms of reference contain an anomaly in relation to the membership of staff. Governors discussed the position and the Mazars advised that in most colleges Boards had defaulted to the position where staff governors are not members. Maria Vetrone said at Nescot the Audit Committee had created an 'observer' role for staff to attend but this was for a particular situation where transitional arrangements are in place.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED THAT NO STAFF OF THE COLLEGE SHOULD BE MEMBERS OF THE INSTITUTION AND THE TERMS OF REFERENCE OF THE COMMITTEE SHOULD BE AMENDED TO REFLECT THIS.</p>
12.	Items for information
13.	<p>Post-16 Audit Code of Practice</p> <p>https://www.gov.uk/government/publications/post-16-audit-code-of-practice</p>
14.	<p>NAO report on Financial Stability of Colleges in England and AoC summary</p> <p>https://www.aoc.co.uk/blog/the-national-audit-office-verdict-colleges-in-2020?dm_i=26BG,71QKS,1UKZNL,SFY53,1</p>

15.	<p>ESFA guidance on the scope of work of Audit Committees and internal auditors in college corporations</p> <p>https://www.gov.uk/government/publications/college-corporation-financial-management-good-practice-guides/the-scope-of-work-of-audit-committees-and-internal-auditors-in-college-corporations</p>
16.	<p>NAO Guide for Audit and Risk Committees on Financial Reporting and Management during Covid-19</p> <p>https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/</p>
17.	<p>Any other business There was none.</p> <p>The meeting ended at 19.00</p>
18.	<p>Date of Next Meeting Tuesday 10 December 2020 at 18.00</p>

