

## EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

<b>Meeting</b>	<b>AUDIT COMMITTEE</b>		
<b>Date</b>	21 September 2021	<b>Time</b>	18.00
<b>Venue</b>	Virtual meeting via Zoom		
<b>Chair</b>	Maria Vetrone		
<b>Committee:</b> Maria Vetrone (Chair); Callum Anderson; Shawez Mir; David Paine; Saad Siddiqui (co-opted member)			
<b>In attendance:</b> Anil Nagpal – Chief Operating Officer (COO); David Warnes – Deputy Principal Strategy Planning & Communications (DPSPC); Karen Redhead - Chief Executive (CEO); Ed Martin – Mazars; Ra Hamilton-Burns – Interim Governance Advisor (IGA)			

	<b>ITEM</b>
1.	<p><b>APOLOGIES FOR ABSENCE</b> David Paine had sent apologies. David Hoose, Hannah Catchpool and Justin Smith had sent apologies.</p> <p>Maria Vetrone welcomed David Warnes to the Audit Committee as he will be reporting and recommending subcontracting via this committee to the Board in the future in accordance with the updated ACoP<sup>1</sup> of June 2021.</p> <p>Maria Vetrone also welcomed Ed Martin to the Audit Committee.</p>
2.	<p><b>DECLARATIONS OF INTEREST</b> There were no declarations of interest.</p>
3.	<p><b>MINUTES</b> Anil Nagpal offered a correction on page 6, that the external audit plan is from RSM.</p> <p><b>AGREED: THE MINUTES OF THE PREVIOUS MEETING HELD ON 17 JUNE 2021 WERE APPROVED AS AN ACCURATE RECORD</b></p>

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

<p>4.</p>	<p><b>Matters arising</b></p> <p><b>Item 6 - Internal audit plan</b>  The financial controls have been included in the internal audit plan  The updated internal audit plan has been circulated.  Karen Redhead has not heard from Mazars on the scope of the quality and learning audit.</p> <p><b>Action: Ed Martin to ask David Hoose for detail on the scope on the upcoming quality and learning audit.</b></p> <p><b>Item 8</b> – update on internal audit visits is on the agenda</p> <p><b>Item 8.1b</b> – Cashflow/creditor management has been updated</p> <p><b>Audit Code of practice updates</b></p> <ul style="list-style-type: none"> <li>• The committee effectiveness was overtaken by the whole Board self-assessment survey that the Search Committee considered a more holistic approach</li> <li>• HC is still to respond with the RSM contract dates and position</li> </ul> <p><b>ACTION: HC to report the RSM contract date and position to the Committee.</b></p>
<p>5.</p>	<p><b>Process, plan, and timeline for Financial Statements production</b>  Anil Nagpal outlined the key points. The plan is as that presented to the June 2021 Audit Committee meeting.</p> <p>There is a new team from RSM for this audit and the College team looks forward to welcoming them on the 25 October for a period of three weeks. There is a great deal of work being done for preparation. Karen Redhead said she has a scheduled catch up with Hannah Catchpool for 26 October 2021.</p> <p>RHB requested that she meet with the team during the preparation of the statements to offer input and feedback on Governance aspects of the external audit and annual statements.</p> <p><b>ACTION: AN to request a meeting with RHB for RSM for the external audit visit.</b></p> <p>Maria Vetrone asked if AN is happy with the plan, pricing, approach and risks and he confirmed this is the case .</p> <p>She commented that in terms of the funding audit the ESFA no longer provides assurance and the sector has to obtain assurance independently at additional costs. RSM has quoted £5-10k for this work. Emails on the Finance Directors’ network showed that these costs varied widely from the £1.5k quoted to Nescot for the same task. RSM’s approach seems reasonable and does not intend to take large samples which makes this quotation even more unusual.</p> <p><b>ACTION: AN to discuss the quotation for the funding audit work with RSM on 24 September 2021.</b></p> <p>Governors asked if there are any concerns about the College’s ability to demonstrate Going Concern. Anil Nagpal said this had been a matter for detailed discussion at FGP. The issue will depend on the IBR and the repayment schedule for the loan of £11.6m. The College is working on that in September and October. He considered that the position of Going Concern is not an issue currently with good cashflow and financial performance in place.</p> <p>A governor said that the audit risk summary for every process is significant or high even if the impact is medium or low. He suggested that if the management is content that processes are robust the management team should address this with RSM as this will take up a great deal of management time if this approach is taken.</p>

	<p><b>ACTION: AN will take this up with RSM.</b></p> <p><b>AGREED: THE COMMITTEE AGREED THAT THE PROCESS, PLAN AND TIMELINE FOR THE FINANCIAL STATEMENTS IS APPROPRIATE.</b></p>
6.	<p><b>First draft of regularity audit SAQ</b></p> <p>Anil Nagpal commented that this report is in draft and is similar to the prior year and is for the Committee's comments. There was discussion about the timing of the presentation of this SAQ to the Committee and it was confirmed that it is required by the Corporation to offer assurance that they should sign the Financial Statements. Therefore, it is presented to the Committee at its first meeting of the Autumn in order that the Committee can agree that it can be signed off. It needs to be signed by KR and the Chair and presented to the Corporation.</p> <p><b>AGREED: The Audit Committee agreed to recommend the first draft of the regularity audit SAQ to the Board.</b></p>
7.	<p><b>Annex B – Covid 19 regularity SAQ</b></p> <p><b>ACTION: Anil Nagpal will check if this Covid-19 return is required.</b></p>
8.	<p><b>Subcontractor update report</b></p> <p>David Warnes presented his item and reminded the Committee that this report had historically gone to the Finance Committee but will now flow through Audit as per the ACoP<sup>2</sup> requirements.</p> <ul style="list-style-type: none"> <li>• There are <b>nine partners</b> on which to report – six for adult education budget partners and three for apprenticeships.</li> <li>• <b>Additional subcontractor</b> - There is an additional subcontractor for which the College is seeking approval - Voncap Ltd, who support unemployed women over 50 back into work, particularly those affected by the pandemic. This addition does not increase the overall budget set for subcontracting. All other subcontractors were approved in July 2021.</li> <li>• <b>The ESFA Cap</b> – The ESFA had approved the application via a business case to phase the reduction of ESFA subcontracting over a four-year period, reducing by 10% each year to 25% by 2024-25.</li> <li>• <b>GLA subcontracting</b> has increased to 18% from 13% to support the College's goal to achieve growth in 2021-22.</li> <li>• <b>Due diligence.</b> The College has undertaken a robust due diligence process. A new subcontracting 'standard' will be introduced by the ESFA in 2022-23, the College is currently undertaking an audit on current compliance with the 89 criteria proposed. Currently a quick check indicates that the College complies with 58 of these checks already. Therefore, David Warnes has no concerns.</li> </ul> <p>Governors said that the process for due diligence is very thorough and asked if the College considers the cost of due diligence and therefore adopts a risk-based approach to the scale of the process and the size of the contract. DW said that the College applies the same robust approach to all partners but new partners receive extra observations in advance of their contract. All partners undergo due diligence annually.</p> <p>The Committee asked if the College has undertaken market research to support its intended move to in-house direct, distance learning provision. David Warnes said that the College already offers provision of this type for £1m and 60 courses. The growth plan is reasonable and, whilst he recognised</p>

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<https://www.google.com/search?q=audit+code+of+practice+2021&oq=a&aqs=chrome.1.69i57j35i39j69i60l4j69i65j5.8291j0j7&sourceid=chrome&ie=UTF-8>

that it is a competitive market, the College has a niche market working in schools with staff and support staff. There is sufficient turnover generating need for qualifications to support the business plan. The College now needs to focus on repeat business and progression for their existing learners to other courses. Karen Redhead added that the reduction in turnover in subcontracting provision that will have a relatively low impact on the bottom line of around £150k annually. The College will compensate by moving some provision into the GLA budget. The difference will be split with 50% of the provision being delivered directly and the 50% through existing studies.

**Maria Vetrone thanked him for a very clear and informative report.**

**AGREED: THE COMMITTEE AGREED TO THE ADDITION OF VONCAP LTD AS A COLLEGE SUBCONTRACTOR.**

***David Warnes left the meeting at 18.30***

## **Audit reports**

### **9. External audits by ESFA and GLA**

Anil Nagpal explained that the College has been selected for these additional audits outlined in the report.

Governors asked if the College has been specifically selected or if all colleges are having these audits. Anil Nagpal said that he is uncertain of the criteria for the ESFA audit but believes it to be a 'random' selection. Karen Redhead explained that the GLA audits are done on rotation for all providers in their remit.

It is rumoured on the grapevine that the furlough audit should have already taken place and that the College has been randomly selected for this audit despite the fact that it only has a small fund. Therefore, it has generated a considerable amount of work in relation to a small number of staff, but Karen Redhead has provided comprehensive information in response.

The Committee expressed concern about the increased workload and volume of audits which put additional pressure on the College teams.

### **10. Update on internal audit reports 10.i - Staff planning and utilisation**

Ed Martin presented this report which confirmed utilisation rates and identified any anomalies.

Substantial assurance was the conclusion with only two housekeeping recommendations on policies and procedures and staff understanding of the process.

A Governor commented that when he first joined the Audit Committee two years ago the reports often reported adequate assurance – it is pleasing to note that it is more often the case that the reports receive substantial assurance. They commended the College team for the work that this improvement represents and asked that their thanks be communicated.

Maria Vetrone thanked Ed Martin for the report. She asked if the Executive Team focuses on the staff utilisation reports on an ongoing basis to inform decision making around staffing and teaching staff recruitment. Karen Redhead said this is not, in fact, the case. There are many potential improvements to staff utilisation and reporting that Anil Nagpal and Karen Redhead regularly discuss, and she had not expected a substantial assurance when this audit was undertaken. Maria Vetrone had been very pleased to see substantial assurance but was also surprised given the complexities of staff utilisation data and reporting in FE. Karen Redhead said that staff utilisation achieved by year-end is over 98% and this is reached by processes on the ground and estimation rather than solid data.

Ed Martin said that he was surprised by this discussion. There has been no challenge from the

management team during the audit and said that perhaps the misunderstanding is because of the process for agreeing the terms of reference for the audit. This might have benefited from additional scoping. Maria Vetrone said the purpose of audit is to constructively challenge an organisation and to identify gaps in control; if the College does not feel that the audit has achieved this, it is problematic.

The Committee said that it is refreshing that the organisation is honest and transparent that the audit outcome and assurance was too generous and does not match its own view of this area. It does shake the confidence of the Committee that the audit has not identified these issues. A governor added that the staff utilisation at 98% is good but asked if this was effective utilisation asking if, for instance, load distribution is well planned. Ed Martin said that this area would be difficult to audit as it contains a qualitative judgement on behalf of the auditors and Mazars has focussed on the systems and processes. Karen Redhead added that there are embryonic processes that might address this but they are not yet developed or embedded. She added that the report had contained some basic errors in the original report which also had to be corrected by the Executive Team. The CEO, for instance, is not the postholder who approves all appointments in the College although it was reported that this was tested.

Anil Nagpal said the report felt 'light touch' and suggested the scope could have been more precise. He suggested that it be rebuilt within the capacity for internal audit. The audit probably came too soon in an area in which improvements are ongoing. The College continually focuses on putting rigour back in all its processes. He assured the Committee that this is not reflective of the quality of all the audit reports.

Members asked if the management team did not have the opportunity to offer feedback or validation to Mazars or adjust the scope of the audit. It might have been an idea to push the audit back or revisit the scope. It was agreed that audit terms of reference should be developed and agreed in partnership with the management team including the CEO. Karen Redhead said she would welcome the opportunity to be more involved in the scoping of audits. She frequently has comments on non-financial audits such as the questions she posed on the quality of teaching and learning audits at the June 2021 meeting.

Maria Vetrone concluded that this report does not appear to have the rigour expected from an audit process and has not reached the right conclusion or assurance level. However, she said that the Committee would note the report but did not totally agree the outcome as it appears to be overly positive. There are clear areas for improvement in this critical process in the College environment. The College seeks a robust approach for each future audit and the management team will work in partnership with Mazars to agree the scope of audits going forward. Ed Martin responded that Mazars will welcome this opportunity to work with the wider management team to scope audits.

Governors asked if the required improvements identified by the College could be included in the audit tracker despite the fact that this particular audit did not identify them. Karen Redhead suggested that the management response could disagree and list areas for further strengthened. The Executive team could then provide a short report to the Audit Committee.

**Action: KR and AN to suggest a method to identify and report areas for improvement in a brief way to the Audit Committee.**

#### **10.ii – Updated Internal Audit operational plan**

Ed Martin explained that this has been updated since it was presented to the June 2021 Audit Committee. Two emerging issue reviews were added for Q2 and Q3 and dates for audits to start have been revised. He invited questions.

MV thanked Mazars for picking up all the issues outlined in June 2021. She highlighted that nothing had been identified for review in Q2 and Q3 and that these should now be identified and linked with the risk register. It was important to identify these reviews now as Q2 was fast approaching. It was agreed that this discussion would fit well in Item 13.i.

	<p><b>AGREED: THE COMMITTEE AGREED TO RECOMMEND THE UPDATED INTERNAL AUDIT OPERATIONAL PLAN.</b></p> <p><b>10.iii - Internal audit report follow up</b></p> <ul style="list-style-type: none"> <li>• Ed Martin reported that this ties in with the management's own tracker. Mazars has completed 2018/19 and for 2019/20 15 out of 16 recommendations have been implemented. The outstanding recommendation is around financial planning and budgetary control and is listed on the management's own tracker.</li> <li>• 2020-21 recommendations have not yet been looked at and this will be done as part of 2021/22 follow up.</li> <li>• There are no areas of fundamental concern which is very positive as Mazars have seen a number of colleges moving backwards as a result of Covid_19.</li> </ul> <p>Maria Vetrone thanked Ed Martin for his reports.</p>
11.	<p><b>11.i Internal audit update</b></p> <p><b>11.i.a Internal audit recommendations 19/20</b> Anil Nagpal said that there is only one item that was not implemented, and it has been rolled into 2020-21 and this is relating to uploading budgets into the financial system .</p> <p><b>11.i.b Internal audit recommendations 2021</b> The 2021 recommendations have not yet been followed up but five out of seven have been completed and the remaining two are works in progress.</p> <p>Governors asked if there is an estimate for when the safeguarding recommendations will be complete.</p> <p><b>ACTION: AN to feedback to the Committee after checking with SW when the safeguarding recommendations will be closed.</b></p> <p><b>ACTION: AN to include implementation dates in future trackers.</b></p>
11.ii	<p><b>External audit update</b></p> <p><b>External audit tracker (si)</b> Anil Nagpal said that these have been taken from the audit findings report. It is expected that these will be completed during the annual audit. All recommendations are work in progress and none are expected to cause issues in the preparation of the annual statements.</p> <p>Evolve Ltd staff have been TUPED to the College payroll. Anil Nagpal will write to the Directors of Evolve recommending that the company is made dormant.</p> <p><b>Action: AN to write to Evolve Ltd directors with a recommendation that the company is made dormant.</b></p>
12.	<p><b>Fraud report and Fraud Checklist</b> AN said that there have been no instances of fraud. The College has a policy in place and remains vigilant.</p>
13	<p><b>RISK MANAGEMENT REPORTS</b></p>
13.1	<p><b>Strategic risk register including Covid - 19</b> This risk register is for 2021-22, it has been fully updated and contains many identified items. The risk assurance framework is included.</p>

Governors commended the report which is clear and comprehensive. However, they voiced concern that these 30 risks represent a great deal of work and asked if the College has sufficient capacity to manage this.

Saad Siddiqui commented that this is one of the most comprehensive documents he has seen across all organisations which he is involved with. He added that the next step should be to cut down any duplications or unnecessary risks which are outlined to make the register more manageable. Other governors responded that they considered all of the risks are well defined and necessary.

**Risks 14 and 21** – Governors asked if the net score could be reduced by any mitigations. The high risks with low assurance are a concern particularly in the area of IT. Anil Nagpal explained that the IT issue is due to lack of investment and budgetary constraints. A capital programme has been re-instigated over the next three years and, albeit modest, some funds are targeted at IT.

Anil Nagpal said that capacity is an issue, but the finance team is working as fast as it can. He is not in favour of removing any risks as they are all worthy of highlighting and monitoring in a dynamic and challenging environment. Committee members asked if there is anything that the Board can do to support the senior team. Karen Redhead said that she has reviewed the risk register and can only identify one possible risk to remove. The Executive team reviews this on a regular basis. She believes that the pressure will ease now that the IBR report is close to conclusion and the College may be able to exit intervention. The ESFA has acknowledged that they need to work with the College to facilitate this. She acknowledged that the Executive team needs to investigate more actions that would reduce the risks wherever possible.

**ACTION: The Executive Team to review risks to think what actions could be taken to reduce net risk to a level that would be acceptable to the Audit Committee.**

Anil Nagpal explained that the College's current insurers have refused to cover the cyber-attack risks but the College has found an alternative provider. Governors asked if the College has ensured that it is protected from cyber threats with a robust firewall. Karen Redhead said that a recent check by JISC gave the firewall a reasonable assurance. The IT in terms of aging laptops is a threat. She suggested that Terry Stevens be invited to offer an update to a future committee.

**ACTION: Terry Stevens to be invited to the Spring meeting of the Audit Committee to offer an update on IT security.**

It was agreed that managers would be invited in the future to present the risks on their area of the College.

Maria Vetrone thanked Anil Nagpal for an excellent document.

Governors asked Mazars if there are any areas that they would recommend for focus of internal audits. Ed Martin commented that the balance is positive. He said that other colleges are focusing on covid controls and plans for the year, staff wellbeing and mental health but IT security is a good area for focus.

MV asked if there are any areas emerging from this discussion to add to the internal audit for this year's plan for Q2 and Q3. Ed Martin said that a review of IT would take the days for both Q2 and Q3.

**ACTION: Mazars will scope a proposal for an audit of IT security for Q2 and Q3 for circulation to the committee via email.**

**AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE COLLEGE RISK REGISTER INCLUDING RISKS AROUND COVID 19 TO THE BOARD.**

14	<p><b>Consideration of the development and training available to Audit Committee members</b>  Ra Hamilton-Burns presented the document which outlined the training currently provided and offered to Audit Committee members.</p> <ul style="list-style-type: none"> <li>• Currently the College subscribes to the ETF Governance Development programme with access to all modules including the excellent, specific Audit Committee element but little else is specifically provided for members.</li> <li>• Each audit agenda includes an agenda item on sector updates for the Clerk or Auditors to send salient items to update the Committee members</li> <li>• A list of practice employed by the sector was also listed.</li> </ul> <p>She thanked members for completing the questionnaire as this has informed the training plan for 2021/22.</p> <p>The Audit Committee noted the report.</p>
15	<p><b>Sector update from the auditors</b>  All sector briefings are given in the monthly briefing to all Board members. The following update had been circulated with these papers:</p> <p><a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003039/CAD_College_Supplementary_Bulletin_July_2021_.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003039/CAD_College_Supplementary_Bulletin_July_2021_.pdf</a></p>
16	<p><b>Policies</b></p>
16.i	<p><b>Business continuity, disaster recovery and emergency plan report on potential expert support</b>  Anil Nagpal updated the Committee and told them that he is working with Mazars who have provided a document outlining a gap analysis. Discussion continues on how best they can work with the College to develop an effective plan.</p> <p>Governors commented that the plan arises from understanding process that need to be in place.</p> <p><b>ACTION: MV to share Nescot’s business continuity plan</b></p> <p><b>ACTION: AN will report back to the Audit Committee on the Business continuity, disaster recovery and emergency plan.</b></p>
17	<p><b>Any other business</b>  There was none.</p>
18	<p><b>Committee evaluation</b></p> <ul style="list-style-type: none"> <li>• Anil Nagpal commented that It was a good meeting with positive discussion and challenge.</li> <li>• A governor commented that the discussion improves with every meeting – demonstrates good performance and congratulated the management.</li> <li>• Another governor commended the reports which are informative so less need for questions.</li> <li>• Karen Redhead said working in partnership with members and the auditors was very positive</li> <li>• Ed Martin – good discussions with interesting challenge to consider. He is positive about the action plan and commented that it had been a good meeting.</li> <li>• A Governor welcomed the candid discussions which outlined continuous improvements.</li> <li>• Maria Vetrone said that she finds the standard of documentation fantastic and informative whilst driving continuous corporate improvement.</li> </ul> <p>The meeting ended at 19.35</p>
19	<p><b>Date of Next Meeting</b></p> <ul style="list-style-type: none"> <li>• 29 November 2021 will begin at 17.00.</li> <li>• 8 March 2022 at 18.00</li> <li>• 14 June at 18.00</li> </ul>