

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

<b>Meeting</b>	<b>AUDIT COMMITTEE</b>		
<b>Date</b>	6 December 2021	<b>Time</b>	18.00
<b>Venue</b>	Virtual meeting via Zoom		
<b>Chair</b>	Maria Vetrone		
<p><b>Committee:</b> Maria Vetrone (Chair); Callum Anderson; Shawez Mir; David Paine; Saad Siddiqui (co-opted member)</p> <p><b>In attendance:</b> Anil Nagpal – Chief Operating Officer (COO); Maxine Deslandes – Director of Finance (DoF); Karen Redhead - Chief Executive (CEO); Ed Martin – Mazars; Ra Hamilton-Burns – Interim Governance Advisor (IGA); Hannah Catchpool - RSM</p>			

	ITEM
1.	<p><b>APOLOGIES FOR ABSENCE</b> Saad Siddiqui, David Paine, and Davie Hoose had sent apologies.</p> <p>Maria Vetrone welcomed the new Director of Finance, Maxine Deslandes, to her first meeting.</p> <p>Shawez Mir joined the meeting at 18.15</p> <p>The Committee was reminded that this will be a joint meeting joined at 18.00 by the Finance &amp; General Purposes Committee to discuss the annual accounts.</p>
15/16	<p><i>Items 15 and 16 were taken at the beginning of the meeting. Hannah Catchpool and Ed Martin joined the meeting at 18.15.</i></p> <p><b>Review and appointment of External and Internal Auditors</b></p> <p><b>External audit provided by RSM</b> The Committee noted the good results and an upward, continuing improvement of financial performance and thanked RSM for their part in this. The feedback from the College team is that this year's experience of production of the annual statements has been more challenging than last. The team had added that that information that had been provided last year to RSM</p>

had been requested again this year. Hannah Catchpool thanked the Committee for the feedback and said that the experience of it being more challenging was mutual. The audit team had found the coordination less strong than last year. It is difficult to comment on repeating requests for information might be a result of the need to revisit and audit areas of provision to offer an opinion. Estimates and judgements are subject to extra scrutiny by auditing standards so this cannot be changed.

Maria Vetrone asked if RSM's approach is risk averse. Hannah Catchpool explained that the risk approach is commensurate with firm's size in the market as a leading provider needing to ensure that the quality of its audits is consistent. This approach offers clients assurance that they will receive a robust audit with appropriate scrutiny. Maria Vetrone thanked RSM for the outputs which are of high quality.

#### **Internal Audit provided by Mazars**

The Committee had discussed the audits and commented that some of them during the year had been too generic, the staff utilisation audit for example. It had noted that the recent learner numbers audit was comprehensive and thorough. The College asked Mazars to work towards more added value in the coming year. Ed Martin said that he fully appreciated this, and the approach will be driven by the areas they audit but he will welcome the opportunity to apply extra rigour. The scope for the audits for the coming year will be circulated around the senior management team for their review.

**ACTION: Mazars to forward the scope for audits in the coming year to the College Executive team via the COO.**

Committee members commented that the turnover of staff in the audit team had been high and asked if Mazars could seek to stabilise the team going forward. Ed Martin said this is mostly outside Mazars' control, but he has been with the firm for six years and handovers are thorough when changes are made.

Ed Martin said that Mazars have experienced delays in receiving reports from the College. But the relationship is good, and he has a monthly meeting with Anil Nagpal which covers a great deal of work each time.

Maria Vetrone reminded the meeting that the Post-16 Audit Code of Practice<sup>1</sup> details the need to review and record the start and end dates of contracts with auditors. Therefore, the College will be seeking to tender for external audit in the coming year to reflect best practice. Ed Martin reminded colleagues that the Mazars contract runs out in March 2022. This will be reviewed with Anil Nagpal.

**ACTION: AN/MD TO PREPARE A TENDER PROCESS FOR EXTERNAL AUDIT.**

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<sup>1</sup> <https://www.gov.uk/government/publications/post-16-audit-code-of-practice>

	<b>ACTION: AN/EM TO REVIEW AND DISCUSS MAZAR'S CONTRACT</b>	
2.	<b>DECLARATIONS OF INTEREST</b> There were no declarations of interest.	
3.	<b>MINUTES OF THE LAST MEETING</b>  <b>AGREED: THE MINUTES OF THE PREVIOUS MEETING HELD ON 21 SEPTEMBER 2021 WERE APPROVED AS AN ACCURATE RECORD</b>	
4	<b>Matters arising</b>	
	<b>No.</b>	<b>Action/Matter arising</b>
	<b>4.</b>	<b>Matters arising</b>  <b>Item 6 - Internal audit plan</b> <ul style="list-style-type: none"> <li>Ed Martin to ask David Hoose for detail on the scope on the upcoming quality and learning audit.</li> </ul> <b>Audit Code of practice updates</b> <ul style="list-style-type: none"> <li>HC to report the RSM contract date and position to the Committee.</li> </ul>
		<b>Status</b>
	<b>4.</b>	Complete and note below*.
	<b>5.</b>	<b>Process, plan, and timeline for Financial Statements production</b> <ul style="list-style-type: none"> <li>AN to request a meeting with RHB for RSM for the external audit visit.</li> <li>AN to discuss the quotation for the funding audit work with RSM on 24 September 2021.</li> <li>AN will take this up with RSM.</li> </ul>
		Completed Completed Completed
	<b>7</b>	<b>Annex B – Covid 19 regularity SAQ</b> <ul style="list-style-type: none"> <li>Anil Nagpal will check if this Covid-19 return is required.</li> </ul>
		On this agenda
	<b>10.</b>	<b>Update on internal audit reports</b> <b>10.i - Staff planning and utilisation</b> <ul style="list-style-type: none"> <li>KR and AN to suggest a method to identify and report areas for improvement in a brief way to the Audit Committee.</li> </ul>
		Will be broadened out and shared with Exec team
	<b>11.</b>	<b>Internal audit update</b> <b>11.i.b Internal audit recommendations 2021</b> <ul style="list-style-type: none"> <li>AN to feedback to the Committee after checking with SW when the safeguarding recommendations will be closed.</li> <li>AN to include implementation dates in future trackers.</li> </ul> <b>External audit update</b> <ul style="list-style-type: none"> <li>AN to write to Evolve Ltd directors with a recommendation that the company is made dormant.</li> </ul>
		On the agenda. Only one item is in progress. The implementation date column has not been updated yet. It will be for the next report.  AN is due to write to the directors shortly.
	<b>13</b>	<b>RISK MANAGEMENT REPORTS</b> <b>Strategic risk register including Covid - 19 Risks 14 and 21</b> <ul style="list-style-type: none"> <li>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.</li> </ul>
		The exec team has reviewed this and will continue to do so regularly.

	Mazars will scope a proposal for an audit of IT security for Q2 and Q3 for circulation to the committee via email	Mazars has reviewed this and will report back shortly. The review will be advisory. KR asked to be sighted during the scoping.
16.	<b>Policies</b> <b>16.i Business continuity, disaster recovery and emergency plan report on potential expert support</b> <ul style="list-style-type: none"> <li>• MV to share Nescot's business continuity plan</li> <li>• AN will report back to the Audit Committee on the Business continuity, disaster recovery and emergency plan.</li> </ul>	On this agenda
<p>Hannah Catchpool had sent a note to the Committee detailing the history of RSM's contract and history with the College:</p> <ul style="list-style-type: none"> <li>• Baker Tilly audited the College for y/e 31 July 2013</li> <li>• Tenon merged with BT in October 2013 (remained BT)</li> <li>• BT rebranded as RSM in 2015</li> <li>• There is no defined contract term for the appointment</li> <li>• The letter of engagement gets refreshed every few years as a matter of good practice</li> <li>• There is no start and end date to the contract</li> <li>• HC's first year working with EHWLC was for the year end 31 July 2017.</li> <li>• Therefore, this is her 5th year involved with the College.</li> </ul> <p><b>ACTION: Mazars/AN to include KR in the scoping of the security and IT audit.</b></p>		
5	<b>Internal audit reports</b>	
5.i	<b>Update on internal audit reports</b>  <b>Wayne Gellion, Mazars, joined the meeting at 17.39.</b>  <b>Learner Numbers audit</b> <b>The outcomes were:</b> <ul style="list-style-type: none"> <li>• 16-19 provision funding – partially compliant</li> <li>• AEB funding – partially compliant</li> <li>• Apprenticeships – limited compliant but the smallest area.</li> <li>• Advanced Learner Loans – partially compliant</li> </ul> <p>There was a total of 48 recommendations:</p> <ul style="list-style-type: none"> <li>• 2 new fundamental</li> <li>• 6 follow up fundamental</li> <li>• 13 new significant</li> <li>• 9 follow up significant</li> <li>• 15 new housekeeping</li> <li>• 3 follow up housekeeping</li> </ul> <p>The report noted that there is a specific risk relating to the accuracy and integrity of learner numbers and noted that the audit only focused on compliance.</p> <p>Mazars noted that as a sector comparison FE institution have been heavily impacted by</p>	

	<p>Covid-19 and there are additional risks.</p> <p>Governors commented that there were a lot of recommendations but can see from the management response that many of them have been addressed and actioned. Ed Martin said that it is not unusual for areas to be identified to be cleared during the year but confirmed that Mazars has not yet independently verified this. The College and Mazars will look at the evidence before signing them off.</p> <p>Page 10 – Committee members commented that the opinion had been made from an observation that one out of ten apprenticeships did not evidence off the job training and this had resulted in a priority one recommendation. They asked if this was a proportionate rating of such a finding. Ed Martin said that the sample was small, but Mazars considers that if they find an issue it is likely to be replicated across the College.</p> <p>Maria Vetrone thanked Mazars for a thorough and comprehensive report which clearly represented a great deal of work.</p> <p>Anil Nagpal presented an <b>update on the internal audit tracker for the year</b> explaining that the findings in the report are being followed up. He explained that all but one of the recommendations are completed. There is a stronger College team which takes every opportunity to learn from lessons.</p> <p>Governors asked if the College has closed off all recommendations from prior years and if this is a complete schedule. AN confirmed that there was one recommendation that was carried over, but all prior years’ recommendations are closed off.</p> <p>The recommendations from the learner number audit in the current year are yet to be included.</p> <p>The Committee asked if there are any risks arising from the two outstanding amber recommendations. The safeguarding item is an ongoing item and therefore is marked ‘in progress’ and the Committee agreed this should be closed. The outstanding subcontracting item relates to a course, this is due to happen in January 2022.</p> <p><b>Wayne Gellion left the meeting at 17.50.</b></p>
5.ii	<p><b>Update on external audit reports</b></p> <p>Anil Nagpal presented an update on the external audit tracker. It offered a RAG rated report which showed that of five deficiencies in internal control – four were still Amber with one being Green.</p> <p>The items relate to the financial statements for instance there are no more payments going through Evolve. He considers that the items are closed off but the fixed asset register is ongoing but this has significantly improved in the last two years.</p> <p><b>ACTION: AN to update the tracker in line with the new management letter</b></p>
6	<p><b>Annual Internal Audit Report</b></p> <p>Mazars presented the report which offered an overall opinion on the framework of governance, risk management and control of Moderate in its overall adequacy and effectiveness. They noted some areas in which the control environment could be improved, for instance the Learner Number Systems review raised 30 new recommendations and a further 18 previously raised recommendations which were assessed as outstanding, which combined included 8 Priority 1 recommendations. However, Mazars did not judge these findings to pose a serious risk to the overall framework of governance, risk management, and control.</p>

	<p>This and all other matters have been discussed with management, and Mazars have made several recommendations. All of these have been, or are in the process of being, addressed.</p> <p><b>Corporate governance</b> In respect of Corporate Governance, while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant, reporting to Governors through Committees and the Corporation. We noted no significant matters arising with respect to governance across our internal audit reviews undertaken this year.</p> <p>Maria Vetrone thanked Ed Martin for a thorough and informative report which was evidence based.</p>
7	<p><b>Fraud report and Fraud Checklist</b> Anil Nagpal confirmed that there have been no instances of fraud. The College has a policy in place and remains vigilant.</p>
8	<p><b>Draft annual report from the Audit Committee to the Board</b> Maria Vetrone presented the draft and as yet incomplete annual report of the Committee to the Board. It will be completed and recommended to the Board.</p> <p>The Chair thanked Ra Hamilton-Burns for her work in drafting a comprehensive and informative report. The report covers all Audit meetings, is ACoP compliant, and will go to the Board.</p> <p>Hannah Catchpool noted that the report needs to make note of the material uncertainty in respect of going concern.</p> <p><b>AGREED: THE AUDIT COMMITTEE AGREED TO DELEGATE FINAL APPROVAL AND RECOMMENDATION OF THE ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD TO MARIA VETRONE.</b></p>
9	<p><b>Risk management</b> Anil Nagpal presented the updated risk register.</p> <ul style="list-style-type: none"> <li>• There is an additional red risk at number 5 around the failure to achieve staff cost savings as it had been upgraded from 10 to 12.</li> <li>• The arrows will be updated in time for the Board</li> <li>• Colleagues commented that a review to lower the net risk score would be prudent.</li> </ul> <p><b>ACTION: AN to report back to MV about risk 16 on RoATP<sup>2</sup> which closed on 31 October 2021.</b></p> <p>Maria Vetrone thanked Anil Nagpal and said the report is clear, well mapped and the overview offers valuable information on the trajectory of each strategic risk.</p> <p><b>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE RISK MANAGEMENT REPORT TO THE BOARD AT IS MEETING ON 14 DECEMBER 2021.</b></p>
10.i	<p><b>Business continuity, disaster recovery and emergency plan report on potential expert support</b> Anil Nagpal explained that work to find a suitable consultant continues and he will update the Board at its March 2022 meeting. This remains an important document for the College</p>

<sup>2</sup> <https://download.apprenticeships.education.gov.uk/>

	and will be given focus.
11	<p><b>Committee evaluation</b></p> <p>Members noted that the meeting had been a good pace. There had been transparent and constructive discussions about the working relationships with the audit firms. The quality of the papers had been good, and the meeting shows a marked improvement on those from 18 months.</p> <p><b>Date of next meeting</b></p> <ul style="list-style-type: none"> <li>• 8 March 2022</li> <li>• 14 June 2022</li> </ul>
	<i>The Committee was joined by members of the Finance and General Purposes Committee at 19.00.</i>
12	<b>External Audit management report and letter of representation</b>
12.i	<p><b>Post Audit management letter (financial statements and regularity)</b></p> <p><b>Post-Audit management letter (financial statements and regularity)</b></p> <p>Hannah Catchpool gave an update to the exec summary. The audit is substantially complete and many of the items listed as outstanding on page 3. This position is considerably better than previous years and RSM is anticipating issuing an unmodified audit opinion which includes a material uncertainty paragraph in respect of going concern on the group's financial statements and an unmodified regularity conclusion in line with the agreed timetable.</p> <p>Hannah Catchpool said that the annual statements had been a good result in good time. She offered thanks to Anil Nagpal, Stephen Wagstaff, Maxine Deslandes and the finance team.</p> <p><b>Material points to draw out:</b></p> <p><b>Income</b> - in accordance with new Post 16 ACoP 2021<sup>3</sup>, funding assurance specialist had visited the college to look at samples around income in respect of selected number of learners across funding streams and DSAT reports to give assurance that had previously been taken from the ESFA confirmation statements. The testing is now complete and there have been no material issues found. There are minor control recommendations. The GLA AEB income is a note as it has not achieved the 90%. There has not yet been a response from the GLA.</p> <p><b>Going Concern</b></p> <ol style="list-style-type: none"> <li>1. The detail has not changed from last year. The reservation of rights letter last year received was an 'in-year' event which technically puts the College in breach of its covenant with Barclays and ESFA. All of the debt is listed as due for repayment on demand.</li> <li>2. The repayment date for the DfE loan is a lump sum payment for January 2023. The College does not have funds to make this payment, so a material uncertainty is listed in the accounts. There is a note that explains that the College expects to submit a repayment plan by the end of January 2022. Anil Nagpal said that the DfE is aware that the College will not make the DfE Committee on 8 December and will submit for the early January 2022 Committee.</li> </ol>

<sup>3</sup> <https://www.gov.uk/government/publications/post-16-audit-code-of-practice>

**ACTION: AN to note this delay in the repayment plan**

Karen Redhead added that the College was only given 48 hours' notice which meant that it couldn't meet the December 2021 deadline.

Governors asked if this delay may have a significant effect on the audit. Hannah Catchpool said that this should not be the case and she does not anticipate that this will qualify the accounts. She does not know what the consequence of not meeting the DfE deadline will be.

Committee members asked where the view held by the College that the DfE was happy with the delay had originated. Anil Nagpal had spoken to the PMO and has written to them to ask for the January Committee dates. Karen Redhead will circulate the email from the PMO to the two committees.

**ACTION: KR to circulate the email from the PMO re the delay of submission of the repayment plan.**

Governors asked if in the worst-case scenario, the accounts were to be qualified, the College is already in breach with the Bank and the ESFA, what the other impact might be. Hannah Catchpool cannot envisage any other impact but will check the terms and conditions of the DfE agreement. She does not think it would result in any other opinion other than the College is still a going concern.

All other work is completed or nearly complete with only minor items outstanding.

**AGREED: The Audit Committee and Finance and General Purposes Committee agreed to recommend the Post-Audit management letter (financial statements and regularity) to the Board at its meeting on 14 December 2021 for signature by the Chair and CAO**

**Risk and control items**

- **Fixed assets** – enormous progress has been made and some of the issues are legacy issues. Records going forward need to be more robust.
- **Income testing** – there are some recommendations
- **Provisions** – some recommendations as there is an increased focus on estimates and judgements and due regard has been given to them.
- Nothing that has been raised is a red risk area.
- The WLCA is worthy of note – the lease was breached last year and there is an amount in the accounts for an annual amount and RSM have been given assurance that the breach is from the landlord and the College does not need to accrue for this under onerous lease provisions. It is included on page 18 of the report.

When the Board approves the reports the regularity is unmodified, the financial statements will be standard but will include the four points outlined.

Governors asked for an overview of the changes.

Hannah Catchpool reported that:

- from RSM's perspective this is a very short list in comparison to past years
- It shows a vast improvement and is testament to the work of the Finance Team and the Audit team over the past couple of years
- The enhanced pension provision requires annually updating and this hadn't been



	<p>done this year so there is therefore an adjustment for the annual accounts</p> <ul style="list-style-type: none"> <li>• The Park Royal rent-free period is unadjusted to the effect of £87k</li> </ul> <p><b><i>Ian Comfort joined the meeting at 18.31.</i></b></p> <p><b>AGREED: THE AUDIT COMMITTEE AND FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE AUDIT REPRESENTATION LETTER TO THE BOARD AT ITS MEETING ON 14 DECEMBER 2021 FOR SIGNATURE BY THE CHAIR AND CAO</b></p>
12.ii	<p><b>Audit representation letter</b> This item was covered in Item 12.i</p>
13	<p><b>2020-21 Financial statements and regularity</b></p>
13.i	<p><b>Final version of the Regularity Self-Assessment Questionnaire (RSAQ)</b> Anil Nagpal invited questions and reminded both Committees that the Covid-19 RSAQ have been included.</p> <p><b>AGREED: THE AUDIT COMMITTEE AND FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE RSAQ AND THE RSAQ PART B TO THE BOARD AT ITS MEETING ON 14 DECEMBER 2021</b></p>
13.ii	<p><b>Strategic report and financial statements 2020/21</b> Anil Nagpal said that there is a good set of statements which show a final outcome of a £2.9m deficit which is a slightly worse position against that which was forecast. The reasons for this are additional cost of £400k for pensions, provision for GLA and ESFA. This is a further improvement on last year and there is year on year improvement.</p> <p>Committee members asked for detail on the Going Concern statement. Anil Nagpal said that the issue centres on the repayment schedule. The College is in positive discussions with the DfE and is aiming to go to the January Committee to submit the repayment plan. The final draft is being worked on and the accounts are predicated on the repayment schedule being agreed in early 2022.</p> <p>Maria Vetrone commented that this is an improved and pleasing set of accounts, she passed on her thanks to the internal finance team, auditors both internal and external and the FGP Committee for their part in this. Phillip Kerle echoed this view and noted that the direction is one of positive travel.</p> <p><b>AGREED: THE AUDIT COMMITTEE AND FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE EALING, HAMMERSMITH, WEST LONDON COLLEGE FINANCIAL STATEMENTS TO THE BOARD AT ITS MEETING ON 14 DECEMBER FOR SIGNATURE BY THE CHAIR (AND WHERE APPROPRIATE THE CAO)</b></p> <p><b>Audit Committee ended and members of that Committee withdrew</b> <b>The meeting ended at: 18.35</b></p>