

EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

Meeting	AUDIT COMMITTEE		
Date	11 October	Time	17.30
Venue	Virtual meeting via Zoom		
Chair	Andrew Baird		
<p>Committee: Andrew Baird (Chair); Shawez Mir; Mustafa Sami; Saad Siddiqui (co-opted member); Debbie Stephenson</p> <p>In attendance: Anil Nagpal – Chief Operating Officer (COO); David Warnes – Deputy Principal of Strategy, planning and communications (DPSPC; Maxine Deslandes – Director of Finance (DoF); Karen Redhead - Chief Executive (CEO); Ra Hamilton-Burns – Interim Governance Advisor (IGA).</p> <p>Auditors: Shachi Blakemore - Buzzacott; Paul Goddard - Scrutton Bland</p>			

	ITEM
1.	<p>APOLOGIES FOR ABSENCE Saad Siddiqui sent apologies.</p> <p>Andrew Baird welcomed Paul Goddard from Scrutton Bland to their first meeting as the internal audit service provider for the College.</p>
2.	<p>DECLARATIONS OF INTEREST There were no declarations of interest. Andrew Baird noted that he is Chair of Brooklands and Orbital South Colleges.</p>
3.	<p>MINUTES OF THE LAST MEETING Corrections:</p> <ul style="list-style-type: none"> • Page 3 – should read about IT security report • Item 7.2 internal audit – the date was September 2021. • Karen Redhead was not in attendance at the last meeting. <p>AGREED: THE MINUTES OF THE MEETING HELD ON 3 JUNE 2022 WERE AGREED AS AN ACCURATE RECORD.</p> <p>NOTED: THE COMMITTEE NOTED THE ELECTRONIC RESOLUTION APPOINTING</p>

SCRUTTON BLAND AS THE INTERNAL AUDIT SERVICE PROVIDER MADE ON 17 SEPTEMBER 2022

4 Matters arising
 Anil Nagpal explained that events had overtaken the Matters Arising listed which all centred on HR items. KR explained that the College is experiencing a very high turnover of staff including the departure of the EDPOD – a new interim Head of HR is about to join the College. The risk register has been updated to include these risks.

The College will hold an extra strategic discussion on the significant risks facing the College with Board members. After this, the ELT will outline plans for HR.

The Committee noted the report.

7 Subcontractor update report – this item was taken at the start of the item.
 In June 2022, the Board approved the subcontractors for 2022-23. Since the Board approval, the contract for Chelsea Foundation has been terminated by mutual consent based on poor achievement data for two consecutive years.

An additional subcontractor, the Rhythm Studio, was approved by the Board by electronic resolution in August 2022. This will be the first time the College has subcontracted its 16-18 Education Programme funding and sought special permission from the ESFA to do so. The Rhythm Studio has been a tenant at the Hammersmith campus since 2020 and offers a unique curriculum in music performance and production, not provided by the College. The ESFA have agreed to increase our allocation to accommodate their enrolments and to pay this in-year rather than as lagged funding. This is conditional on the College meeting its own 16-18 learner number target. RS is two learners short of target but is expected to hit target this year.

A new subcontracting ‘Standard’ has been introduced by the ESFA which will replace the audit assurance certification process. The College must now appoint external auditors to assess compliance with 89 criteria set out in the standard and the subsequent report must be sent to the ESFA by the 31st July 2023. The College has completed a self-assessment of the 89 criteria and judges itself to have met the standard.

The College is working with the following subcontractors in 2022-23

Subcontractor	Type of provision	ESFA Contract	GLA Contract
Learning Curve Group Ltd	AEB	£500,000	£0
Best Practice People Ltd	AEB	£700,000	£140,000
Integer Ltd	AEB	£168,000	£100,000
Bounce Back Foundation	AEB	£0	£40,000
Voncap Ltd	AEB	£60,000	£20,000
TOTAL (AEB)		£1,428,000	£300,000
% of overall contract		45%	4%
Training Byte Size	Apprenticeship	£18,000	
The Rhythm Studio	16-18 Study Prog	£180,000	
TOTAL (Apprenticeship/16-18)		£198,000	

Achievement for all subcontractors is currently at 91.7% compared with 87.2% in 2020-21.

Subcontractor	2021-22 achievement	2020-21 achievement
Learning Curve Group Ltd	90.3*	93.3
Best Practice People Ltd	95.1*	89.7
Integer Ltd	84.6*	90.8
Bounce Back Foundation	80.0*	100
Voncap Ltd	88.5*	n/a
Chelsea Foundation	69.8*	33.9
Overall	91.7%*	87.2%

The College's direct provision has increased so the proportion of subcontracted provision has been decreased accordingly.

There is a clear rationale for each of the partners, explanation of their provision and the need that they meet for the College.

Governors asked if the issues with Chelsea were Covid related or if the College should have foreseen the issues. The first year the achievement was on target pre-covid, however the pandemic meant that they moved provision online and their learners did not adapt to online from in-person learning. The College moved to support them and to do observations. Learners gave positive feedback but there was an issue with the learners with whom they engaged.

Paul Goddard noted that the paper is the first time that he has seen that depth of analysis in any college and commended it. He said that the communication with the auditors involved in subcontracting should be started as soon as possible as the new regime is a compliance-based audit.

The Committee thanked David Warnes for his report. **David Warnes left the meeting at 17.45**

5 Process, plan and timeline for the Financial Statements production

This item had been presented to the June 2022 committee meeting but was revisited to offer assurance to the Audit Committee and Board that all is on track for the production of the financial statements and annual returns and to highlight any issues.

Buzzacott had started the audit on site this week. Since the June 2022 meeting the required professional clearance had been received from Hannah Catchpool at RSM and the planned 'getting to know you' visit with Maxine Deslandes has taken place. The dates outlined in the draft plan have now been agreed.

Buzzacott is not anticipating any delays to production of the financial statements but if there are any issues, they will be flagged. Anil Nagpal confirmed that the College has passed a draft set of financial statements to the Buzzacott team.

Governors asked if the FS audit is controls or substantive based. Shachi Blakemore explained that WLC has a detailed programme of internal audit so the Buzzacott audit is more substantive but with some additional audit of key controls on the preparation of the financial statements.

The Committee asked for more detail and focus on significant risks. The specific items

	<p>highlighted in the letter from Buzzacott focus on those that are high risk:</p> <ul style="list-style-type: none"> • Going concern around rising costs and depleted reserves • Bank loan covenants • Expenditure on estates • Items not listed such as liabilities such as holiday pay, if income is complete etc <p>The Committee noted the pleasing progress and thanked Buzzacott.</p>																																										
6	<p>First draft of the regularity SAQ</p> <p>Anil Nagpal reminded Committee members that the regularity questionnaire must be completed as part of the audit of 2021/22 financial statements. It is due for submission to the ESFA in December 2022. The template is prescribed and the College's draft responses are included in the report. This will form part of the review being undertaken by Buzzacott.</p> <p>Governors commented that this report looks comprehensive and is a good early draft.</p> <p>Governors asked that the specific Corporation policies on income are listed in the SAQ.</p> <p>ACTION: AN will embed the list of policies for income in the regularity SAQ</p>																																										
8	<p>Final update reports from Mazars</p> <p>The last report from Mazars on the Learner numbers has yet to be finalised but will be circulated to the Audit Committee once completed. Governors asked that any pertinent items be added to the risk register.</p>																																										
9	<p>Risk management reports</p>																																										
9.i	<p>Anil Nagpal explained that the risk register had been significantly updated since the Audit Committee's last review as the one for 2021/22 has been superseded. Some risks have been deleted and an additional risk has been added for capital expenditure.</p> <p>He noted that the College is operating in a volatile environment and offered a summary of the movement on strategic risks:</p> <table border="1" data-bbox="225 1301 1414 1637"> <thead> <tr> <th>Risk</th> <th>Core College Jun 2021</th> <th>Core College Sep 2021</th> <th>Core College Dec 2021</th> <th>Core College Mar 2022</th> <th>Core College May 2022</th> <th>Core College Oct 2022</th> </tr> </thead> <tbody> <tr> <td>Significant</td> <td>5</td> <td>4</td> <td>6</td> <td>5</td> <td>5</td> <td>8</td> </tr> <tr> <td>High</td> <td>11</td> <td>19</td> <td>16</td> <td>17</td> <td>16</td> <td>9</td> </tr> <tr> <td>Acceptable</td> <td>10</td> <td>5</td> <td>5</td> <td>5</td> <td>5</td> <td>5</td> </tr> <tr> <td>Low</td> <td>3</td> <td>2</td> <td>2</td> <td>2</td> <td>3</td> <td>0</td> </tr> <tr> <td>Total</td> <td>29</td> <td>30</td> <td>29</td> <td>29</td> <td>29</td> <td>22</td> </tr> </tbody> </table> <p>Governors said that it was pleasing to note that some risks have been closed. The increase in energy costs was discussed and it was noted that at the June Committee meeting it was stated that the College was locked into a fixed price position but this appears to have changed. Anil Nagpal explained that the College is in a fixed energy position until March 2023 and uses the services of an agent who negotiates contracts on its behalf. The current risk is estimated to be circa £500k and this, coupled with other inflationary pressures, will mean the position remains challenging.</p> <p>It was noted that the College had an IT outage in August 2022 for eight days and has commissioned a separate investigation and report on this issue. The College has a £5m capital programme for 2022/23 of which £1.27m is allocated to IT. Cyber Essentials will receive some</p>	Risk	Core College Jun 2021	Core College Sep 2021	Core College Dec 2021	Core College Mar 2022	Core College May 2022	Core College Oct 2022	Significant	5	4	6	5	5	8	High	11	19	16	17	16	9	Acceptable	10	5	5	5	5	5	Low	3	2	2	2	3	0	Total	29	30	29	29	29	22
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	<p>funds as part of this expenditure. Given the lack of investment in the College in recent years, infrastructure, classroom facilities and cyber security will require a great deal of catching up. The College also has significant recruitment issues in the IT team.</p> <p>Governors asked when the College had last performed a penetration test¹.</p> <p>ACTION: AN to report when the penetration tests of the College IT infrastructure had last taken place.</p> <p>Risk 13 – MIS staff recruitment and the impact on the ILR. Anil Nagpal confirmed that the ELT recognised that this is a red risk and that this area also has staffing issues, compounded by a member of staff from this team leaving the College after over 20 years. Focus on this area continues and to ensure that data is being captured effectively and mitigations are in place.</p> <p>Governors asked if the College understands the reasons behind such alarming staff attrition. Karen Redhead explained that this is a national issue across all industries and is particularly acute in the FE sector. Wage competition, Brexit and the pandemic are believed to be factors. The College is currently working with FE Associates to fill eight vacancies and is spending time sourcing high-quality interims. Half the total College vacancies are in the teaching faculties with competition from colleges across London. Andrew Baird reported that the two colleges that he chairs are experiencing the same issues with people leaving the employment market or seeking a life/work balance. Governors voiced concern that the teaching vacancies are a risk to the quality of the learner experience. Karen Redhead explained that the College has put in place mitigation with heads of curriculum teaching more hours, hourly paid lecturers being increased and some classes are not taking place, she assured the Committee that the ELT is doing all that it can. Anil Nagpal noted that the situation is extremely challenging and unprecedented during his career in FE.</p> <p>Paul Goddard reminded Committee members that there is also a potential short-medium term risk posed by the current review of the status of FE colleges by the ONS² and the potential that they will be classified as public bodies. The last time the ONS undertook a similar review a decision was made and implemented very quickly. It has been suggested that any changes required should be implemented more cautiously. Andrew Baird reported that the National Leaders of Governance had been told that the ONS decision is expected on 3 November 2022.</p> <p>Anil Nagpal noted that the risk assurance framework is incorporated within the risk register and this has also been updated.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE STRATEGIC RISK REGISTER TO THE BOARD AT ITS MEETING ON 18 OCTOBER 2022</p>
10	<p>Fraud report</p> <p>There had been no new reported or known instances of fraud since the last Audit Committee meeting.</p> <p>Governors asked if the CPD for staff on fraud training has taken place. Anil Nagpal explained that the focus has been on financial statements and vacancies in finance, IT and MIS but this will be picked up in the near future</p> <p>Action: CPD for staff on fraud training to be planned</p>
11	<p>Items for information only</p>
11.1	<p>Sector updates from the auditor</p>

¹ [What is Penetration Testing? Types and Benefits | Fortinet](#)

² [Colleges given weeks to submit borrowing and other financial data \(feweek.co.uk\)](#)

	<p>Shachi Blakemore noted :</p> <ul style="list-style-type: none"> • There had been a further amendment to the Joint Audit code of Practice in September 2022³ but there was nothing of significance to report. • External governance reviews have been made mandatory by the Skills and Post-16 Skills Act⁴. RHB noted that the College had participated in the pilot of the DfE external governance reviews and therefore will not be due to commission one until May 2024. • ONS review has not yet concluded but this has the potential to impose additional requirements, although the impact is not known. • Energy costs – the limited support now offered by the government is helpful but there is a risk around significantly increased costs for colleges. <p>Paul Goddard offered an update of the internal audit planning timeline:</p> <ul style="list-style-type: none"> • Scrutton Bland has received a list of recent years' audits • They have produced a live audit plan which has been mapped to the risk register which will be presented to the November 2022 meeting. • He offered discussion with audit committee members in advance and members said they would welcome this opportunity <p>ACTION: RHB to set up a meeting to review the internal audit plan ahead of the November 29 Audit Committee meeting.</p>
12	<p>Consideration of the training of Audit Committee members</p> <p>Ra Hamilton-Burns reminded members that it is a requirement of the ACoP⁵ (paragraph 25) that the Committee reviews the training provided to Audit Committee members. She noted that Audit Members are provided with the following:</p> <ul style="list-style-type: none"> • 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. • Each audit agenda includes an agenda item on sector updates for the Clerk or Auditors to send salient items to update the Committee members • In Summer Term 2021-22, RSM ran a series of twilight sessions for the College on the following topics: <ul style="list-style-type: none"> ○ RSM – Fraud ○ RSM – Risk ○ RSM – Funding and finance for Governors • BDO also provided a twilight briefing session on the finance elements of the IBR • Membership of the Committee has been extended to include a member of the Curriculum and Quality Committee in recognition of the requirement of the ACoP (paragraph 24) to include expertise in financial and non-financial areas.
12	<p>Committee evaluation</p> <ul style="list-style-type: none"> • Andrew Baird said he welcomed the opportunity to get to know members better and had found the meeting very productive. • Governors recognised that it is generally a challenging environment and specifically for FE. • It is a difficult time to be an audit committee member as the context means there are

³ [Post-16 audit code of practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/106422/post-16-audit-code-of-practice-2022.pdf)

⁴ [Skills and Post-16 Education Act 2022 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2022/1/section/10)

⁵ [Post-16 audit code of practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/106422/post-16-audit-code-of-practice-2022.pdf)

	<p>challenges for which the Executive Leadership Team (ELT) can't have answers.</p> <ul style="list-style-type: none"> • Members commended the College team for the preparatory work which was comprehensive and offered the Committee assurance. • Governors added that the risk register is comprehensive and good to see that the ELT have identified the risks and are trying to mitigate them
13	<p>Any other business There was no other business.</p> <p>The meeting closed at 18.30</p>
13	<p>Date of next meeting Tuesday 29 November at 17.00 – this is a joint meeting with the Finance and General Purposes Committee for the second hour</p>