

EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

Meeting	AUDIT COMMITTEE		
Date	01 December 2022	Time	17.00
Venue	Virtual meeting via Zoom		
Chair	Shawez Mir		
<p>Committee: Shawez Mir (Chair) ; Mustafa Sami; Saad Siddiqui (co-opted member); Debbie Stephenson; vacancy</p> <p>In attendance: Anil Nagpal – Chief Operating Officer (COO); Maxine Deslandes – Director of Finance (DoF); Adrienne Giles – Head of MIS; Karen Redhead - Chief Executive (CEO); Ra Hamilton-Burns – Interim Governance Advisor (IGA).</p> <p>Auditors: Shachi Blakemore - Buzzacott; Alice Walker and Paul Goddard - Scrutton Bland; David Hoose - Mazars</p>			

ITEM	
1.	<p>APOLOGIES FOR ABSENCE Debbie Stephenson sent apologies.</p> <p>It was noted that Andrew Baird had resigned from the Board. Shawez Mir is chairing the Committee as an interim. The Committee thanked Shawez Mir.</p>
2.	<p>DECLARATIONS OF INTEREST There were no declarations of interest.</p>
3.	<p>MINUTES OF THE LAST MEETING</p> <p>AGREED: THE MINUTES OF THE MEETING HELD ON 11 OCTOBER 2022 WERE AGREED AS AN ACCURATE RECORD.</p>

4	<p>Matters arising</p> <table border="1" data-bbox="258 203 1441 1104"> <thead> <tr> <th data-bbox="258 203 384 255">No.</th> <th data-bbox="384 203 991 255">Action/Matter arising</th> <th data-bbox="991 203 1441 255">Status</th> </tr> </thead> <tbody> <tr> <td data-bbox="258 255 384 392">6.</td> <td data-bbox="384 255 991 392">First draft of the regularity SAQ AN will embed the list of policies for income in the regularity SAQ</td> <td data-bbox="991 255 1441 392">The College has now added the link to the SAQ. The policies are on the website.</td> </tr> <tr> <td data-bbox="258 392 384 730">9.</td> <td data-bbox="384 392 991 730">Risk Management Reports AN to report when the penetration tests of the College IT infrastructure had last taken place.</td> <td data-bbox="991 392 1441 730">This has not been done for some time – partially limited by financial constraints. The College will engage with JISC early in the new year. The College firewall is managed by an external provider and is confident that it is robust defence against a cyber attack.</td> </tr> <tr> <td data-bbox="258 730 384 866">10.</td> <td data-bbox="384 730 991 866">Fraud report CPD for staff on fraud training to be planned</td> <td data-bbox="991 730 1441 866">SLT has had training and it is on the agenda on 05/12/22. The College is looking at options for training for wider staff.</td> </tr> <tr> <td data-bbox="258 866 384 1104">11.</td> <td data-bbox="384 866 991 1104">11.1 Sector updates from the auditor RHB to set up a meeting to review the internal audit plan ahead of the November 29 Audit Committee meeting.</td> <td data-bbox="991 866 1441 1104">This had not been possible as the plan was not ready. The plan was circulated by email and responses collated by AN.</td> </tr> </tbody> </table> <p>The Committee noted the report.</p>	No.	Action/Matter arising	Status	6.	First draft of the regularity SAQ AN will embed the list of policies for income in the regularity SAQ	The College has now added the link to the SAQ. The policies are on the website.	9.	Risk Management Reports AN to report when the penetration tests of the College IT infrastructure had last taken place.	This has not been done for some time – partially limited by financial constraints. The College will engage with JISC early in the new year. The College firewall is managed by an external provider and is confident that it is robust defence against a cyber attack.	10.	Fraud report CPD for staff on fraud training to be planned	SLT has had training and it is on the agenda on 05/12/22. The College is looking at options for training for wider staff.	11.	11.1 Sector updates from the auditor RHB to set up a meeting to review the internal audit plan ahead of the November 29 Audit Committee meeting.	This had not been possible as the plan was not ready. The plan was circulated by email and responses collated by AN.
No.	Action/Matter arising	Status														
6.	First draft of the regularity SAQ AN will embed the list of policies for income in the regularity SAQ	The College has now added the link to the SAQ. The policies are on the website.														
9.	Risk Management Reports AN to report when the penetration tests of the College IT infrastructure had last taken place.	This has not been done for some time – partially limited by financial constraints. The College will engage with JISC early in the new year. The College firewall is managed by an external provider and is confident that it is robust defence against a cyber attack.														
10.	Fraud report CPD for staff on fraud training to be planned	SLT has had training and it is on the agenda on 05/12/22. The College is looking at options for training for wider staff.														
11.	11.1 Sector updates from the auditor RHB to set up a meeting to review the internal audit plan ahead of the November 29 Audit Committee meeting.	This had not been possible as the plan was not ready. The plan was circulated by email and responses collated by AN.														
5	<p>Internal Audit Assignment reports</p> <p>The findings in the internal audit update report are being followed up with a view to ensuring these recommendations are fully implemented. Management responses/updates have been provided and all items continue to be followed up.</p> <p>Most of the recommendations identified in the last year’s assignments, excluding the assignment for learner numbers, have been implemented with the remaining recommendations expected to be completed. The College will continue to report on these as part of the follow up reports until they are closed out. Any recommendations not completed will be rolled forward until they are concluded.</p>															
5.1	<p>Internal Audit recommendations</p> <p>There is an updated tracker with some recommendations still in progress while evidence is awaited. These will be pursued.</p> <ul style="list-style-type: none"> • Staff utilisation – not a great deal of progress has been made due to HR personnel turnover • Learner numbers – these will be picked up when addressing the latest report • Policies, Procedures, and succession planning – the interim director will make progress where possible, but the staff turnover has made it problematic. <p>Anil Nagpal assured the Committee that these items will be rolled over and reported on until they are concluded.</p> <p>Governors asked if there is any update in the succession planning as a response to the recent</p>															

	<p>staff turnover. The attrition has been unprecedented but is occurring across the sector and other organisations in London. Many factors are outside the College's control. Several interviews are lined up before Christmas to fill key roles. Interim resource has been appointed where possible. The Committee asked if leaving staff have had exit interviews and if any common themes have emerged. The drivers for individual departures have been varied and it is difficult to find a single cause.</p>
5.2	<p>External Audit recommendations The recommendations and actions signed off in December 2021 from the Audit Findings report (by RSM) have been monitored throughout the year. Most are signed off with one outstanding item on the fixed asset register which has been picked up by Buzzacott. A new tracker will be established as an outcome of the audit of the current set of financial statements for future meetings.</p>
6	<p>Annual report from the internal auditors David Hoose explained that the report is drafted, and the learner numbers report is still being finalised. Management responses on the recommendations are awaited and then this can be circulated in the next couple of days.</p> <p>The overall opinion for the year on controls is moderate on overall controls and effectiveness which is the second best on the scale. There is a caveat on learner numbers with limited compliance with the funding rules. Anil Nagpal will comment once he has seen the report but recognised that the turnaround will need to be swift as the Board papers will be issued on 6 December in five days' time. He reminded the Committee that Buzzacott will wish to see the report.</p> <p>Buzzacott said that they need to see the report and the ILR as it places reliance on the internal audit work on MIS controls. Buzzacott will conduct sample checks. It may have a bearing on a possible risk of clawback which might have several outcomes such as a contingent liability in the accounts, a note in the statement of internal control or a signpost in the regularity audit. They will look at the report and suggest the most appropriate way forward.</p> <p>Anil Nagpal said that for 2021/22 the ESFA has said no further action is required in respect of the 2021/22 learner numbers internal audit but the College will need to meet the evidential requirements for non qualification activity in 2022/23</p> <p>AGREED: THE COMMITTEE AGREED TO CIRCULATE THE ANNUAL REPORT OF THE INTERNAL AUDITORS TO THE COMMITTEE FOR COMMENTS AND APPROVAL AND ONWARD RECOMMENDATION TO THE BOARD.</p>
7	<p>Fraud report There were no new known instances of fraudulent activity that have been recorded in College since the October 2022 meeting of the Audit Committee.</p>
8	<p>Draft annual report from the Audit Committee to the Board – to recommend. Ra Hamilton-Burns had drafted the report and it had been reviewed by the October 2022 Audit Committee. The report is now being reviewed by Anil Nagpal and Maxine Deslandes and they will update when the internal annual auditor report is received.</p> <p>ACTION: AN/MD to update the annual report from the Audit Committee when the final documents are received for presentation to the Board.</p> <p>AGREED: THE COMMITTEE AGREED TO DELEGATE APPROVAL OF THE ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE CHAIR OF THE COMMITTEE, SHAWEZ MIR, TO RECOMMEND, ONCE UPDATED, TO THE BOARD.</p>

9	Risk management reports
9.i	<p>This report is an update from the position in October 2022, There has been one change since the report to the Committee.</p> <p>Item 14 – there has been a change to medium risk on the assurance level</p> <p>Governors asked if the IT outage had changed any risks. The College has an external reviewer investigating the event and will review the risk register when the outcome is known. The Committee asked for an update on the report when available.</p> <p>The College has a capital investment budget of £5.1m capex for this year and of this £1.3m is set aside for IT improvements and this will help to make the system robust.</p> <p>The Committee asked if the operational risks were based on utility costs and where this is embedded in the register. Anil Nagpal said that the items on non-pay will capture this along with other inflationary costs which are coming through.</p> <p>The Committee thanked the College team for the update.</p>
10	<p>Sector updates from the auditor</p> <p>Shachi Blakemore said that the announcement that the ONS has classified colleges as public sector was backdated to 1993¹.</p> <p>In essence:</p> <ul style="list-style-type: none"> • Colleges will not be able to claim VAT • Colleges will be able to retain their reserves • Colleges will have a requirement to seek permission for new borrowing from the ESFA • Public sector pay controls and limits will apply to pay and severance payments • There will be a financial handbook in the next couple of years • A fund to help bolster cashflow issues between January and March each year <p>Once more is known, Buzzacott will brief clients. Karen Redhead said that the AoC will be lobbying for colleges to be treated in the same way as schools. She reminded the Committee that the DfE had advised the College that when its current loan with them ends in 2030 they should seek a commercial loan. This is unlikely to be the advice since the reclassification.</p> <p>Anil Nagpal added:</p> <ul style="list-style-type: none"> • Loans at the PWLB² rate are likely to be at a lower rate than commercial lending • The decision not to let colleges claim VAT is disappointing • The cushion fund for March each year will just be redistribution from later in the year not new money • £150m capital investment in Spring 2023 on an allocation basis <p>Governors asked if there are reporting or accounting implications due to the retrospective nature of the classification. Shachi Blakemore said that a post balance sheet disclosure note will have to be added to the Financial Statements.</p> <p>David Hoose added that the DfE has added that colleges can keep the receipts from estates sales but this must be ringfenced for future capital expenditure. Anil Nagpal said that the College would not be using disposals to bolster operational costs.</p> <p>Shachi Blakemore offered further updates:</p> <ul style="list-style-type: none"> • West London College is in a strong position, but other colleges may have to go to the ESFA

¹ [Further education reclassification - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/further-education-reclassified-as-public-sector)

² [About PWLB lending \(dmo.gov.uk\)](https://www.dmo.gov.uk/about-pwlb-lending)

	<p>for permission for loan facility and this may affect their going concern status.</p> <ul style="list-style-type: none"> • Buzzacott has experienced the effects of recruitment challenges in colleges and MATs in finance teams and this has affected production of financial statements. • Some colleges had fixed utility costs, but some are experiencing 400-500% increases and this will affect EBITDA³ next year. • Buzzacott is conducting benchmarking for KPIS for 2022 and collating information from other colleges. Historically, colleges have not had to have a reserves policy. It is advisable that the College Financial and General Purposes Committee should review this.
11	<p>Disaster recovery policy and procedure</p> <p>The report provided the Committee with an updated draft of the College's Business Continuity Plan. The updates include completing the sections where the information, mostly estates related, was missing from the last version presented to the Committee. This will now allow the Plan to be finalised following review and input from Committee members. It was noted that the policy will be continuously updated as necessary.</p> <p>Governors asked if the disaster recovery elements have been tested in practice. This will be done going forward. The Committee said that it is important to get item 1.5 completed as soon as possible.</p> <p>ACTION: AN to review the policy and procedure to ensure that there is no impact from the recent ONS reclassification.</p> <p>The Committee thanked the senior team and commented that the policy is comprehensive.</p> <p>AGREED: THE COMMITTEE AGREED TO RECOMMEND THE DISASTER RECOVERY POLICY AND PROCEDURE TO THE BOARD.</p>
11	<p>Internal Audit plan 2022/23</p> <p>Paul Goddard welcomed the feedback received on the internal audit plan. After the October 2022 committee meeting, Scrutton Bland met with WLC colleagues and took input. They had offered to meet with the Audit Committee, but the report had not been produced in time to facilitate a meeting and it had been circulated electronically instead.</p> <p>The key areas are appendix A which outlines potential audits suggested for 2022/23. Paul Goddard sought approval of the plan.</p> <p>The Committee is content that the plan is appropriate and had commented that they had suggested a separate audit on financial controls, but it was later agreed that all the audits will touch on this aspect. Shawez Mir thanked Scrutton Bland for the comprehensive plan.</p> <p>Governors asked if there could be a summary of which key financial controls were tested in the audits and a report presented to the committee. Paul Goddard said that it is unusual not to have a discrete financial control in the plan, but this is thought to be an outcome of other priorities. The position can be reviewed in March 2023.</p> <p>Anil Nagpal said that he will bring the scopes of each audit to the CEO and the Committee for review.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE INTERNAL AUDIT PLAN FOR 2022/23 TO THE BOARD.</p> <p>David Hoose thanked the College team and Committee for their support and input during Mazars' time working with the College. Anil Nagpal thanked David and the team for their hard work and support and wished them well in the future.</p>
12	<p>Any other business</p>

³ [What is EBITDA - Formula, Definition and Explanation \(corporatefinanceinstitute.com\)](https://www.corporatefinanceinstitute.com/terms/ebitda/)

	<p>There was no other business.</p> <p><i>Paul Goddard and David Hoose left the meeting at 17.55.</i></p>
13	<p>Date of next meeting</p> <ul style="list-style-type: none"> • 20 March 2023 • 13 June 2023
	<p>The members of the Finance and General Purposes Committee joined the meeting at this point.</p>
	<p>External Audit management report and letter of representation</p>
14	<p>Post Audit management letter (financial statements and regularity)</p> <p>Shachi Blakemore presented key points:</p> <ul style="list-style-type: none"> • The audit work is almost complete • Buzzacott is waiting for the internal audit opinion from Mazars for last year • The ILR report is still being finalised • Buzzacott is planning to issue a clean audit opinion • The process as new external auditors had been robust and demanding at times • Buzzacott is grateful to Maxine Deslandes and Stephen Wagstaff for their assistance throughout <p>The financial outturn has gained several millions in net assets due to an actuarial change from the LGPS. The real valuation will be clear when the triennial valuation happens and gives an accurate reflection on the College. When adjustments have been made there is an operating deficit of £286k this year.</p> <p>The financial statements for 2020/21 were signed off with an emphasis of matter relating to going concern noted with material uncertainty due to the DfE loan showing as a liability due in less than one year. This has now been resolved and the stated position for 2021/22 is that the College is a going concern.</p> <p>One recommendation has been made on last year's audit centering on fixed assets which had been mentioned by the internal audit and this has been acknowledged by the management team.</p> <p>Buzzacott applied benchmarking ratios against the 40 colleges with which they work and WLC is assessed as 'Good' based on EBITDA and borrowing as a percentage of income.</p> <p>Anil Nagpal reminded the Committees that the borrowing has gone up due to the rebasing of the loan with the DfE and that the Barclays loan will end in 2024. The College will monitor the position.</p> <p>The current ratio looks good, although there was a large cash balance at the end of 2021/22, the capital expenditure programme will use some of this fund.</p> <p>Governors asked:</p> <ul style="list-style-type: none"> • If the table on appendix one which shows some adjustments, were adjusted or unadjusted. These are adjustments that have been made and are included in the financial statements. • If the letter of representation is standard or bespoke for the College. SB said last year RSM would have had their letter of representation, Buzzacott will be similar. • Governors asked if the ONS decision will need to be included in the letter of representation. Shachi Blakemore said this will not merit inclusion specifically in the letter as long as it is noted in the financial statements. <p>The Committees asked if there is any risk to the final numbers changing due to the internal audit annual report. Shachi Blakemore explained that in her experience there may be a suggestion that ESFA may want a clawback which required a contingent liability, but this would be a disclosure not a change to the numbers. Anil Nagpal has had confirmation from the territorial ESFA team that</p>

	<p>there will be no impact in 2021/22 but there may be an evidential requirement for 2022/23.</p> <p>ACTION: Anil Nagpal to share the ESFA email with the Audit and FGP committees responding to concerns on the internal annual audit report</p> <p>Phillip Kerle thanked the senior team for the supreme effort made to get the College to a 'Good' financial health position.</p> <p>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 13 DECEMBER 2022 FOR SIGNATURE BY THE CHAIR AND CAO</p>
15	<p>Audit representation letter</p> <p>Shachi Blakemore had nothing to draw to the attention of the Committees.</p> <p>The Committees noted that the recommendations are predicated on nothing detrimental emerging from the internal audit annual report.</p> <p>AGREED: THE AUDIT COMMITTEE AND FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE AUDIT REPRESENTATION LETTER TO THE BOARD AT ITS MEETING ON 13 DECEMBER 2022 FOR SIGNATURE BY THE CHAIR AND CAO</p>
2021-22 Financial statements and regularity	
16	<p>Final version of the Regularity Self-Assessment Questionnaire (RSAQ)</p> <p>Anil Nagpal reminded the Committees that a draft had been submitted to the prior Audit Committee meeting. Feedback from governors had been incorporated.</p> <p>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 13 DECEMBER 2022</p>
17	<p>Strategic report and financial statements 2021/22</p> <p>There are pension adjustments and accelerated depreciation brought into 2021/22 due to the Park Royal project. The College has served notice that it will be vacating. There is an operational surplus of £0.2m once these items are removed.</p> <p>Anil Nagpal noted that the College is ahead of target at the lower end of 'Good' financial health which is pleasing.</p> <p>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 13 DECEMBER 2022 FOR SIGNATURE BY THE CHAIR (AND WHERE APPROPRIATE THE CAO)</p> <p>Anil Nagpal thanked Shachi Blakemore and the team for their hard work and remarked that the progress in producing the financial statements had been very pleasing. He also recognised the work of Maxine Deslandes and the finance team who have worked extremely hard and offered them his grateful thanks. He also extended gratitude to the Audit Committee for their work and contributions throughout the year.</p> <p><i>Audit Committee members, Shachi Blakemore and Alice Walker withdrew at 18.30 and the FGP Committee continued.</i></p>