

MINUTES – AGREED (AUDIT 08-02-24, F&GP 19-03-24)

THE CORPORATION OF EALING, HAMMERSMITH & WEST LONDON COLLEGE

Meeting	Joint meeting of the Audit and Finance & General Purposes Committees		
Date	Tuesday 28 November 2023	Time	17.00
Venue	Virtual meeting		
	Audit Committee: Rachael Fisher; Shawez Mir; Robin Ghurbhurun; Alex Hayman (co-opted)		
Members	Finance & General Purposes Committee: Phillip Kerle; Jonathan Roe; Chris Taylor; Karen Redhead.		

In attendance: Anil Nagpal (Chief Operating Officer); Maxine Deslandes (Director of Finance); Matt Fawcett (Deputy Principal (Planning, Partnerships & Projects)); Richard Ward (Director of Governance).

Internal Auditor: Paul Goddard (Scrutton Bland)

External Auditor: Shachi Blakemore (Buzzacott)

	ITEM
1	<p>Attendance & apologies</p> <p>The Chair welcomed Robin Ghurbhurun and Alex Hayman to the Committee and thanked them for their support</p>
2	<p>Declarations of Interest</p> <p>No interests were declared.</p>
3	<p>Appointment of a co-opted member</p> <p><i>Resolved, That Alex Hayman be appointed as a co-opted member of the Committee from 28 November to 31 December 2023 in accordance with Standing Order No. 24.</i></p>
4	<p>Minutes</p> <p><i>Resolved, That the minutes of the meeting held on 26 September be approved.</i></p>
5	<p>Matters arising</p> <p>The Deputy Principal (Planning, Partnerships and Projects) spoke to the two matters arising from the last meeting. On subcontracting, the actions identified in the internal audit report had been carried out and the Committee had received a written update on the College's subcontracted provision for this meeting.</p> <p>On funding assurance, the Deputy Principal explained that off-the-job training was now being recorded with greater consistency on the <i>OneFile</i> system. Apprenticeship</p>

	<p>paperwork had been revised in line with funding guidance. Reporting on costs had also been improved.</p> <p>Paul Goddard commented that both responses constituted very reasonable management responses.</p>
<p>6</p>	<p>Risk management</p> <p>The Chief Operating Officer presented a revised risk register, overview and cover report, which reflected a thorough review of the College’s strategic risks as discussed at the last meeting. The number of strategic risks had been reduced significantly, primarily as a result of consolidation but also as a result of some risks (e.g. the exit from Park Royal) having been definitively resolved. Governors asked:</p> <ul style="list-style-type: none"> ● Whether the extent of consolidation created any challenges for monitoring critical risks within the College. The Chief Operating Officer noted that while many of the risks had been grouped, detail had not been lost and some of the items would now be monitored at an operational level. Reporting on risk management was not limited to these papers and were reflected elsewhere, for example in management accounts for financial matters. ● To what extent the curriculum planning process for College-based provision ensured that the College’s ‘offer’ was financially sustainable. The Chief Operating Officer stated that the process did initially assess the contribution made by curriculum areas, but that further work could be carried out in this area during the current academic year. This work was ongoing. ● Whether the College’s IT-related risks were graded appropriately. The Chief Operating Officer noted that financial pressures had meant that there had been under-investment in the College’s IT facilities for a significant period of time. There was a lot of work to be done on both hardware and systems to provide a modern digital working environment for staff and students. Being in the second year of an IT capital programme would make a contribution to mitigating IT-related risks. The Chief Operating Officer stated that, due to significant under-investment historically, it would take a period of years to catch up with where the College aspired to be.
<p>7</p>	<p>Fraud report</p> <p>The Chief Operating Officer informed the Committee that no instances of fraud had been identified since the last report. Governors noted the anti-fraud checklist which had been completed and circulated to the Committee. The Chief Operating Officer invited the Committee and the auditors to make any recommendations or requests in this area to further strengthen the College’s approach.</p> <p>Shachi Blakemore commented that Buzzacott’s experience from its work across the charity sector was that the incidence of fraud was high, in part due to high turnover of staff, which meant that familiarity with internal controls and training compliance was less than it would be with a more settled workforce.</p> <p>Paul Goddard noted that Scrutton Bland had observed a higher proportion of internal fraud being committed by longer serving staff. He suggested that while there might be behavioural changes apparent in such cases, maintaining high standards of compliance with policies and procedures was important.</p>

9	<p>Progress against internal audit recommendations</p> <p>The Chief Operating Officer stated that around two-thirds of the College’s internal audit recommendations were complete and awaiting verification by the internal audit service. The Director of Finance reminded the Committee that all recommendations remained on the tracker until Scrutton Bland confirmed that they had been completed to their satisfaction. Whereas normally this might take place as part of a follow-up, it was proposed that the College worked with the internal audit service to clear the recommendations earlier on in the year.</p> <p>The Committee queried why internal audit recommendations from the academic year before last remained on the tracker. The Director of Finance noted that some of the recommendations from previous academic years related to areas in which there had been senior staff changes, which had caused delays. The Chief Operating Officer emphasised the importance of external verification by the internal auditors of recommendations being completed.</p>
10	<p>Progress against external audit recommendations</p> <p>The Chief Operating Officer drew the Committee’s attention to two matters arising from external audit recommendations. The first, relating to ILR data, had been confirmed as resolved. The second, relating to the College’s fixed asset register, would be resolved by the implementation of the College’s new finance system which incorporated a fixed asset module. This would enable the College to move away from its current Excel-based system. The Chair queried how risks arising from implementation were being managed. The Director of Finance explained that the College planned to have a period of dual-running of the current and future systems to mitigate any such risks.</p>
11	<p>Annual internal audit report</p> <p>Paul Goddard informed new members of the Committee that 2022/23 had been the first year that Scrutton Bland had been appointed as the College’s internal auditors. They had concluded that the College’s risk management and governance arrangements were adequate and effective but that, based on the recommendations made as part of internal audit assignments, not all of the College’s control processes were adequate and effective. Overall, Scrutton Bland had observed a positive direction of travel within the College. While the College had a higher proportion of ‘reasonable’ and ‘limited’ assurance reports, Scrutton Bland had noted good preparation by and positive engagement from management on audit assignments.</p> <p><i>Resolved, That the annual report of the internal audit service be recommended to the Board for approval.</i></p>
12	<p>Draft annual report of the Audit Committee to the Board</p> <p>The Committee considered a draft annual report on its activities during 2022/23 for the Board. Paul Goddard proposed that the wording relating to the Committee’s opinion be amended to address more directly the matters set out in the Post-16 Audit Code of Practice. The Committee agreed that an amendment to its opinion on page 9 would be helpful.</p> <p><i>Resolved, That the annual report (as amended) be approved and presented to the Board by the Chair.</i></p>
13	<p>Internal audit plan 2023/24</p>

	<p>Paul Goddard presented the schedule of dates for internal audit assignments for the current academic year, and noted that the College's data protection audit was currently underway. He suggested that the date for follow up (currently May 2024) could be brought forward if that would enable the College to close off recommendations sooner than might otherwise be possible.</p> <p>Resolved, That the internal audit plan for 2023/24 be approved.</p>
14	<p>External audit sector updates</p> <p>Shachi Blakemore gave an update on issues that Buzzacott had observed within the wider sector. There had been an increase in the number of colleges suffering cyber attacks, which had led to financial and reputational consequences for the organisations concerned. Employers' pension contributions for the Teachers' Pension Scheme would go up in April 2024 by 5% to 28%. While the expectation was that this increase would be funded by central government, this was not yet certain.</p> <p>Some colleges had been affected by the outcome of <i>Harpur Trust vs. Brazel</i>, which related to holiday pay for term-time staff. There had not yet been to Buzzacott's knowledge any claimants following the case. Finally, Shachi Blakemore noted that while further guidance on the consequences of reclassification had not been issued, a new Colleges Financial Handbook was anticipated.</p>
8	<p>Internal control</p> <p>The CEO/Principal spoke to a paper which set out the circumstances in which a failure to follow processes within the HR team had been discovered, and the College's actions in response. The case had resulted in an overpayment of salary to a member of staff on sickness absence, which the College was in the process of seeking to recover. The College had worked quickly to assess whether it was an isolated issue, which ongoing investigations indicated that it was. Governors asked for detail on the process of recovering the money paid in error, and noted the steps being taken to strengthen compliance in this area.</p>
	<p><i>At 6.00 pm, the Audit Committee was joined by the Finance & General Purposes Committee</i></p>
15	<p>Declarations of interest (Finance & General Purposes Committee)</p> <p>Phillip Kerle declared that he was a governor of Orbital South Colleges.</p>
16	<p>Regularity Self-Assessment Questionnaire</p> <p>The Chief Operating Officer thanked governors for their feedback on an earlier draft of the Regularity Self-Assessment Questionnaire (RSAQ), which had been amended and brought up to date as part of the financial statements process. The RSAQ was now substantially complete, and the COO drew governors' attention to questions which were new for this year, such as on reclassification. These had been highlighted in the version which had been circulated for ease of reference.</p> <p>Resolved, That the Regularity Self-Assessment Questionnaire be recommended to the Board for approval.</p>
17	<p>Post-audit management report</p>

	<p>Shachi Blakemore spoke to the Post-audit management report, which summarised Buzzacott's finding and presented an overview of recommendations for the College. Since the report had been issued, further progress had been made on completing the audit process and there was very little remaining to be done before the accounts were signed on 12 December. Shachi Blakemore noted key changes in this year's financial statements, which related to the College's exit from the Park Royal campus and pension valuations. She confirmed that the recommendation relating to the fixed asset register was about managing the assets on an Excel spreadsheet rather than through the finance system and thanked the Finance team for their cooperation in providing the information required. Governors noted the further evidence of the College's continuing financial recovery, and thanked the Finance team for their contribution.</p> <p>Resolved, That the Regularity Self-Assessment Questionnaire be recommended to the Board for approval.</p>
18	<p>Audit representation letter</p> <p>Resolved, That the Audit representation letter be recommended to the Board for approval.</p>
19	<p>Draft Annual Report and financial statements</p> <p>The Chief Operating Officer thanked Shachi Blakemore for setting out the key matters arising in the College's financial statements, and noted that the College had needed to work hard to achieve a strong financial position at the end of the previous academic year. The volatile financial environment throughout the year had increased the pressure on the College, and despite this the College had achieved a surplus of £101k before the FRS102 pension adjustment. This was a good achievement for the College. Nonetheless, a continued focus on financial health and sustainability was required. The College had achieved an improved financial health score which sat in the middle of the 'Good' range, meaning that one of the College's key objectives for the year had been clearly met. The Chief Operating Officer drew governors' attention to the benchmarking data contained within Buzzacott's report. The Committee thanked the Chief Operating Officer for his comments and endorsed the report.</p> <p>Resolved, That the Draft Annual Report and financial statements be recommended to the Board for approval.</p>
20	<p>Subcontracting</p> <p>The Deputy Principal (Planning, Partnerships & Projects) spoke to the paper in his name on the College's subcontracting arrangements. The paper summarised the final position at the end of the 2022/23 academic year, and gave details of the College's arrangements for managing the performance of subcontractors. Governors noted that the College's application to exceed the 25% cap on subcontracting had now been approved by the ESFA. The Deputy Principal informed the Committee that clarification was being sought from the ESFA on the process and timing for next year.</p> <p>The Deputy Principal drew governors' attention to the proposal to increase the level of ESFA subcontracted provision, the original figures for which had been presented to and approved by the Board in June prior to the approval of the College's business case.</p>

Subcontractor	Type of provision	ESFA contract (approved in June)	ESFA contract (proposed following approval of business case)
Learning Curve Group Ltd	AEB	£200,000	£750,000
Best Practice People Ltd	AEB	£150,000	£650,000
Integer Ltd	AEB	£25,000	£55,000
Total		£375,000	£1,455,000
<i>% of overall contract</i>		<i>25%</i>	<i>47%</i>

Governors sought clarification on why approval was being sought for an increase to 47% when approval had been granted through the business case for 55%. The Deputy Principal clarified that the College had set an internal target which was lower than the maximum contract, and that the College was seeking to increase the level of direct delivery and reduce the level of subcontracting over time. The 55% was a maximum cap.

In response to a further question on performance reporting, the Deputy Principal explained that information relating to distance learning performance would indeed be provided to governors. He added that performance at the current time was in a good position compared to the previous year, and that he was working with the Director of MIS to strengthen the underlying data.

The CEO/Principal added that the new report for the Board covering all funding streams would be produced by the Deputy Principal (Curriculum & Quality), and that the first such paper would be considered by governors on 12 December.

Resolved, That the revised subcontracting values as set out in the table be approved.

Members of the Audit Committee withdrew and the Finance & General Purposes Committee continued to meet.

21 Minutes

Resolved, That the minutes of the meeting held on 21 September be approved.

22 Matters arising

The Chair noted that the matter arising from the previous meeting had been discussed under item 20.

23 Management accounts

The Chief Operating Officer spoke to the management accounts for September, which showed that additional income had been received which had been allocated to the College's pay award provision in accordance with the Board's decision of 17 October. He noted that the representation of pension costs would be revised in line with the latest valuation. All of the financial KPIs were on track, but the Chief Operating Officer noted that it was early in the year and that October management accounts would be presented to the Board on 12 December.

24 Confirmation of going concern

	<p>The Chief Operating Officer informed the Committee that the College was in a strong cash position and able to cover its current liabilities. This would be communicated to the Board in a fortnight's time.</p>
25	<p>Estates</p> <p>The Chief Operating Officer informed the Committee that the College was actively pursuing the consolidation of its footprint on the Hammersmith campus, and was in discussions with a third party which had expressed interest in renting part of the site. The CEO/Principal added that Peter Marsh Consulting had made good progress with its review of options for the Hammersmith site, which was nearing completion. This would be reported to the Committee once finished. The review of options had included revisiting options for refurbishing and repurposing parts of the building. The CEO/Principal noted that engagement with key stakeholders would commence shortly, and that she had made enquiries on the situation relating to listing, a definitive response to which had not yet been received.</p>
26	<p>Settlement payments</p> <p>[REDACTED]</p>
27	<p>ESFA assessment of financial status</p> <p>The Chief Operating Officer reported that the ESFA had confirmed the College's financial health as 'Good' for 2022/23 based on the College's College Financial Forecasting Return (CFFR), as approved by the Board in June. Governors had been provided with a link to a financial dashboard produced by ESFA.</p> <p>Action: Chief Operating Officer to take a copy of the dashboard, to be circulated with the minutes for the Board meeting the following month.</p>
-	<p>Items deferred</p> <p>The Chair noted that three policies relating to staffing set down in the cycle of business had been deferred to the next meeting.</p>
29	<p>Any other business</p> <p>The Chair asked for an update on recruitment to the Finance team. The Director of Finance reported that of two vacant posts, one Senior Finance Business Partner was due to start on 4 December. Recruitment for an Assistant Finance Business Partner and a Head of Procurement continued.</p>
30	<p>Next meeting</p> <p>The Committee agreed to reschedule the next meeting of the Finance & General Purposes Committee from Thursday 21 March to Tuesday 19 March at 6.00 pm.</p>

Subcontractor	Type of provision	ESFA contract (approved in June)	ESFA contract (proposed following approval of business case)
Learning Curve Group Ltd	AEB	£200,000	£750,000
Best Practice People Ltd	AEB	£150,000	£650,000
Integer Ltd	AEB	£25,000	£55,000
Total		£375,000	£1,455,000
<i>% of overall contract</i>		<i>25%</i>	<i>47%</i>