

**WALSALL COLLEGE
MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD ON TUESDAY 9 JUNE 2020 AT 0830 HRS
VENUE: VIA TEAMS**

PRESENT:	Alastair Scales Carol Flood Graham Ward Paul Dale	Chair
TOGETHER WITH:	Jat Sharma (until 0845 hrs) Allan Pinnegar Fiona Macmillan Matthew Brown Jacky Leek Louise Tweedie Mark Dawson Andy Foley Alison Buick Deb Rajania (Item 23.20)	Principal & Chief Executive - Observer Chair of Corporation Governor Director of Finance & MIS Head of Finance RSM KPMG KPMG Clerk to the Corporation Director of Operations and Resources
APOLOGIES:	None	

16.20 PRIVATE MEETING OF THE COMMITTEE WITH THE AUDITORS

College management withdrew from the meeting in order for the private meeting to take place. Details of this have been minuted separately for reasons of confidentiality.

17.20 CHAIR'S OPENING REMARKS

The Chair welcomed all to the meeting and thanked them for their attendance. This was the first virtual meeting of the Audit Committee, which was necessary due to the college being closed because of the coronavirus pandemic. It was also the first meeting since the autumn term, as the March meeting had been cancelled due to the Ofsted visit. Papers for the meeting had been circulated at the time and would be covered in this meeting.

It was noted that Allan Pinnegar and Fiona Macmillan were joining the meeting as observers. Paul Dale had joined the committee as a new Associate Governor following the resignation of Hayley Reid earlier in the year. The committee members recorded their thanks to Hayley for her contributions in the previous 12 months. Finally, it was noted that this would be Carol Flood's last Audit Committee before her term of office expired in September 2020. The Chair had greatly appreciated her input to the work of the committee during her two periods of membership.

The Chair thanked the auditors for their comments in the private meeting and confirmed that there were no concerns raised.

18.20 APOLOGIES FOR ABSENCE

None.

19.20 DECLARATIONS OF INTEREST

None.

20.20 MINUTES

The minutes of the meeting held on 12 November 2019, having been circulated, were taken as read and approved. The hard copy of the minutes would be signed when it was possible to meet again in college.

21.20 MATTERS ARISING

Governors reviewed the Action Points Record for the Audit Committee and noted the following:

Item 21.19

The college had used two contingency days with Hettle Andrews to review its Covid secure workplace plans. A wider review of Business Continuity Planning would take place once the college was back to normal working after Covid-19. This would take account of the Covid experience.

Item 37.19

The Board Assurance Framework would be covered later in the agenda

Item 08.20.1

ER audit recommendations would be covered later in the agenda.

Item 08.20.2

The review of the guidelines for setting audit action deadlines and for ensuring that updates are provided by responsible officers would be carried out in 2020/21.

Item 09.20

There were ongoing discussions about Counter Fraud Strategy and ISO 27001 Digital Security Accreditation.

Item 11.20

The Audit Committee Annual report had been completed.

22.20 AUDIT RECOMMENDATION TRACKING REPORT

The Clerk to the Corporation presented the report, which updated members on the progress of outstanding Audit recommendations. The cover sheet gave an update against all outstanding recommendations, together with a RAG rating. Responsible managers had been asked to provide updates for their areas, which were incorporated in the attached report. There were no overdue recommendations and eight that were in progress. One had been completed. The one remaining was not yet due for completion.

The report would be updated to remove all completed actions and to add those agreed in the latest batch of internal audit reports that would be covered at the next agenda item.

It was confirmed that RSM had recently carried out the follow up work included in their work plan. The results of this would be circulated to the committee as soon as the report, which was with management for comment, had been finalised.

Governors **resolved** to receive the Audit Recommendation Tracking Report.

23.20 INTERNAL AUDIT REPORTS

The background to the status of the internal audit work was explained by the Director of Finance & MIS:

- Two reports on the agenda had been brought forward from the cancelled March committee and would be discussed:
- There had been a discussion with RSM about the audits scheduled for the summer term, and it had been agreed to go ahead with HE Provision and Follow Up. The fieldwork for these had been completed and draft reports received;
- The remaining two audits, on Commercial Activities and Student Financial Support, had been deferred until such time as the college re-opened. A combination of furloughed staff and inability to access records held physically in the college had meant that neither area was practical for review at present. RSM would consider dates for completion when the college re-opened.

Governors noted and accepted the reasons for deferral.

A Governor commented that the Learning and Quality Committee would be meeting on 15 June, and that it would be beneficial for the relevant audit reports to be circulated to members for information, even if they were still at draft stage. This was agreed.

There was a discussion about the scope of the HE Provision audit, which had included LCCA. The Director of Finance & MIS reflected on the discussions about LCCA at Corporation on 21 May. Governors were aware of changes to caps in HE numbers by the Office for Students, as well as the ongoing position at LCCA, both of which had led to the college's decision for a phased withdrawal from LCCA. This would be covered in more detail at the Learning and Quality Committee.

Louise Tweedie presented the following reports on behalf of RSM.

Internal Audit Report 2.19/20 Staff Utilisation Framework

The scope of the audit work was explained. This had focused on the utilisation arrangements for assessors and for classroom-based teaching staff, including caseload management, timetabling and recording of contract hours, variations to utilisation and approval of remission.

The overall conclusion was that reasonable assurance that the controls in place to manage this risk were suitably designed and consistently applied. Three recommendations had been made and agreed with management, all relating to assessor-based activities.

The recommendations were discussed and it was confirmed that the managers responsible were taking appropriate actions to address them. Some deadlines would need to be amended due to the recent management focus on other matters due to the coronavirus pandemic.

Internal Audit Report 3.19/20 Curriculum Development and Management Controls

The scope of this audit had covered controls in place to ensure that the curriculum is developed in line with demand from students, potential students, employers and priorities of funding. The overall assurance level was green, meaning that substantial assurance could be given that

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controls were suitably designed and consistently applied. Four recommendations had been made and agreed with management. There was a discussion about the curriculum strategy in the context of the wider corporate strategy, which was under review. Completion of the corporate strategy would be delayed until the autumn term. Given the current coronavirus pandemic, there were further considerations and expected changes that needed to be taken into account.

Internal Audit Benchmarking Report

This was an annual report produced by RSM based on the audit work done across their FE college client base in the previous year. It gave a snapshot of audit assurance levels, numbers of recommendations and internal audit annual opinions. The Walsall College position was noted. Louise Tweedie advised that this was provided for information, and was not a scientifically based report due to the fact that internal audit coverage varied between colleges, dependent on their individual priorities and risk profiles.

There were no areas of concern for Walsall College. All opinions gave either substantial or reasonable assurance on the areas reviewed.

82% of RSM clients, including Walsall College, had received the second level of assurance. The top level tended to be achieved by sixth form colleges, which were smaller and had less complex funding and other processes in place.

It was confirmed that RSM had 150 college clients, which represented a significant proportion of the total in the sector.

Internal Audit Progress Report

The current status of all planned audits was noted.

Governors' attention was drawn to the updates at the back of the report. This included areas of interest to Audit Committee members, namely Covid-19 Fraud Risks for Education and an Internal Audit Update.

The Chair asked for an update on fraud risks at the college. The Director of Finance & MIS responded that many staff were working from home on remote desktop access into college systems or on encrypted laptops. Financial controls remained in place to allow usual working practices to continue, with enhanced controls in some areas. There had been input from IT to support this. The Head of Finance had previously completed counter fraud training, which she had found useful.

Governors **resolved** to **accept** the Internal Audit Reports.

24.20 STRATEGY FOR INTERNAL AUDIT 2020/21 TO 2022/23

Louise Tweedie outlined the process which had led to the formulation of the plan being presented at this meeting. Governors were invited to note the three-year plan at Appendix B and to comment on the detailed plan for 2020/21 in Section 2. The college's Board Assurance Framework and Risk Register had been reviewed to inform the plan, and the college risks had been included against each area of proposed activity. Comments were made on the rationale for including specific items. The plan would remain flexible to respond to changes in legislation and changes to risk profiles.

The proposed scopes and associated risks of the individual audits for 2020/21 were explained. Covid-19 risks would be considered where appropriate in individual audits, but it was not planned to carry out a specific Covid-19 audit. RSM would be doing such audits in NHS clients, but it was not felt to be necessary in FE clients.

As in the previous years, RSM had included an appendix that showed audit areas covered in the last three years and the levels of assurance that had been provided.

Governors were invited to comment on the areas included and whether they would provide the assurance levels required.

It was suggested that the audit of Quality Assurance may be better earlier in the year to maximise the expected benefits. However, this needed to be balanced against the possibility of doing an audit too early when there may still be changes being embedded. Timing of this, and other audits, would be confirmed with the relevant managers. Ideally the audit work would be spread across the year to allow reporting at each committee meeting.

The Chair asked if CITB would be included. However, given that the acquisition was on hold due to Covid-19, this was not planned for inclusion at this time. Due diligence activities needed to be completed first.

The Chair thought that ethical leadership was an interesting topic for a future audit. This was in the third year of the strategic plan.

It was **resolved** that the Committee **recommended** the Strategy for Internal Audit and associated fee to Corporation for approval.

25.20 EXTERNAL AUDIT PLAN AND STRATEGY

Mark Dawson presented the External Audit Plan and Strategy on behalf of KPMG. The requirements for the financial statements audit were largely unchanged. Governors' attention was drawn to the independence of the audit team, as required by ISA 260 'Communication of audit matters with those charged with governance'. The audit approach and significant risks were as set out in the document.

Governors were asked to note that the SORP had changed, although there were no accounting changes required. There were also some additional requirements from the Office for Students (OFS) relating to HE provision. This meant that KPMG needed to do additional work to form an opinion on HE access and participation activities. There was a modest increase in the audit fee to cover this.

There were no specific concerns about the finances of the college. The audit risks identified were fairly standard. The uncertain effects of Covid-19 on the sector meant that there was expected to be more risk around going concern for some colleges.

A sector update was provided as an appendix to the report.

Questions and comments were invited.

The Director of Finance & MIS commented on the administrative burdens imposed by OFS relative to the size of the college's HE provision. It was noted that OFS may require publication of accounts by 30 November 2020, so to accommodate this, it was planned that Corporation would review and approve the accounts in November rather than December. KPMG were fully aware of the changed timescales and able to meet them.

It was confirmed that the additional audit fee for OFS related work would be the same regardless of the number of enrolled HE students.

It was **resolved** that the Committee **recommended** the External Audit Plan and Strategy, and associated fee, to Corporation for approval.

26.20 FUNDING ASSURANCE AUDIT

The Director of Finance & MIS explained the background to the report and commented that progress had been made with a number of areas now complete. Work had ceased due to the lockdown from March but was expected to be complete by year-end. Further audit work was to be scheduled with KPMG.

KPMG's report included a comment that management remained confident that the non-compliant records were predominantly a paperwork issue rather than evidence of apprentices or employers not receiving the service and experience to which they were entitled. The recent Ofsted inspection of the College's apprenticeship provision provided additional significant assurance to this view.

It was confirmed that change to subcontractor contracts were reviewed by Finance and Resources Committee, with some Chair's approvals if needed.

It was **resolved** that the Committee **received** the Funding Assurance Audit report.

27.20 RISK MANAGEMENT TERMLY REPORT, INCLUDING BOARD ASSURANCE FRAMEWORK

The Director of Finance & MIS presented his report.

It was clear that the management of risk had changed due to the coronavirus pandemic. The college had effectively been working in a business continuity position since mid-March. Management focus had been on safeguarding, remote working, ensuring staff and students had equipment with which to work, and monitoring staff and student welfare in a variety of ways.

The process of closing the college had gone very well. Work was now ongoing to re-open in a controlled and safe way, to ensure buildings were Covid secure. Students and staff would start to return from 15 June 2020. All staff would have a return to work induction meeting.

Some curriculum areas were impacted more than others by Covid-19. Adult delivery was currently difficult.

Planning for September 2020 was a key activity at present. There were many concerns about re-engaging students in the autumn, many of whom were in Year 11 and out of school since March.

Social distancing requirements reduced the capacity of the college buildings very significantly. Staff were planning for various scenarios for delivery from September.

There would be an economic impact from Covid 19, with challenges for employment. The college expected to be affected in a number of ways, including supporting WMCA in provision for re-skilling and upskilling. Financial risks were being taken in to account in the current budget setting work.

Future risks terms of support needed for students mental health and wellbeing were noted. It was expected that demand for this would continue to rise.

The risks in relation to Ofsted had crystallised. Work to digest the impact of this was ongoing across the college.

4Risk had been populated but was not yet embedded across the college. There was more work to do in recording the risk control and mitigation measures. This had been planned for term 2 but delayed due to Covid 19 so would be completed in the summer.

The Board Assurance Framework was to be updated alongside the new strategic plan in the autumn term. It would be brought back to a future committee meeting. The Chair had agreed to be part of a group looking at this.

Governors **resolved** to **receive** the Risk Management and Board Assurance Termly Report.

28.20 ANNUAL VALUE FOR MONEY REPORT

The Head of Finance introduced her report, which highlighted how value for money had been achieved in the previous academic year.

The focus was on economy, efficiency and effectiveness. Examples of each were cited. Governors particularly noted the following:

- Improvements in learner satisfaction, attendance and punctuality;
- £1.1m investment in Portland Street;
- No changes to funding rates in year;
- Increased costs of teachers pensions, offset by grants received;
- Financial health remained good and close to outstanding;
- Staffing costs higher than the sector benchmark.

There was a discussion about levels of subcontracting. This had declined considerably in this year compared to last year.

The Chair noted that there were some areas within the report that were relevant to the Finance and Resources Committee. He would discuss these with the Chair of that committee.

Governors **resolved** to **receive** the Annual Value for Money Report.

29.20 ANNUAL ASSESSMENT OF PERFORMANCE OF THE AUDITORS

It was agreed that the auditors would remain in the meeting for the discussion of this item.

The Director of Finance & MIS commented that the relationships with all auditors worked well and he had no concerns. Both firms demonstrated value for money as well as a flexible approach, which was appreciated. However, the committee needed to be comfortable with spending resources in correct way and be assured there is effective relationship between managers and auditors. KPIs showed that both parties were fulfilling the set objectives and completing roles.

The Chair and members expressed satisfaction with the work of the auditors.

30.20 SELF-ASSESSMENT OF THE AUDIT COMMITTEE

The paper was introduced by the Clerk and comments were invited. It was noted that the report format this year had remained the same as in the previous year, whereby the Clerk had completed an assessment against the committee terms of reference. A RAG rating had been added against each item this year, as a response to a request made by Governors in 2019.

Overall, Governors agreed that the self-assessment document was a helpful tool and an accurate reflection of the work in 2019/20. The Chair suggested that further commentary be added to reflect the position with the Board Assurance Framework, and this was agreed.

Governors **resolved** to **receive** the Self-Assessment report.

31.20 DATE AND TIME OF NEXT MEETING

Tuesday 17 November 2020 at 0830 hrs.

The Chair thanked Carol Flood for her contribution to the work of the Committee and wished her well for the future.

The meeting ended at 1020 hrs.

Clerk

How Governors challenged management		Impact of meeting on College	
30.20	Noted the need to updated the committee self-assessment report to reflect the current status of the Board Assurance Framework.	24.20	Recommended Strategy for Internal Audit and associated fee for Corporation approval.
		24.20	Recommended External Audit Plan and associated fee for Corporation approval.