

**WALSALL COLLEGE  
MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD ON TUESDAY 17 NOVEMBER 2020 AT 0830 HRS  
VENUE: VIA ZOOM**

<b>PRESENT:</b>	<b>Alastair Scales Fiona Macmillan Aisling McGowan</b>	<b>Chair</b>
<b>TOGETHER WITH:</b>	<b>Matthew Brown Jacky Leek Phil Brockhurst Louise Tweedie Mark Dawson (part) Andy Foley Rachel Packham (part) Jat Sharma (part) Alison Buick</b>	<b>Director of Finance &amp; MIS Head of Finance Head of MIS RSM KPMG KPMG KPMG Principal and Chief Executive Clerk to the Corporation</b>
<b>APOLOGIES:</b>	<b>Graham Ward, Paul Dale</b>	

**AUDIT COMMITTEE TRAINING**

The meeting was preceded by a short training session for members delivered by KPMG and RSM. Both audit firms had provided slides to support their presentations. These were shared on screen during the presentations and it was agreed that these should be circulated for information to all Corporation members.

Clerk

The presentations focused on the respective roles of external and internal audit and the scopes of the different types of audit.

Governors noted the following in relation to internal audit:

- The risk based focus of internal audit;
- The AOC Code of Good Governance and Post 16 Audit Code of Practice;
- The core functions of the Audit Committee, including providing an Annual Report on the adequacy and effectiveness of assurance arrangements (not just audit arrangements);
- The significant set of responsibilities in relation to being aware of fraud risks and how they were managed;
- New guidance issued by ESFA in September;

Governors noted the following in relation to external audit:

- That external audit was independent and in line with regulatory requirements. It did not provide operational assurances;
- The outputs for the committee were the opinion on the accounts, the opinion on the access and participation plan, and by exception reporting on the adequacy of accounting records, the regularity opinion and any other issues from the audit.

Governors discussed the need to ensure that the Corporation's assurance arrangements were met, and that this was a wider view than just the view of the Audit Committee.

The Chair asked about the Ney Report suggestion that external audit should share findings directly with Corporation. Mark Dawson commented that this was not usual practice at present, and that KPMG tended to attend board meetings where there were difficulties to be reported.

The Chair thanked RSM and KPMG for their informative presentations.

**01.21 CHAIR'S OPENING REMARKS**

The Chair welcomed everyone to the meeting and thanked them for their attendance. Fiona Macmillan and Aisling McGowan were attending the committee as new members for the first time. Phil Brockhurst, Head of MIS, and Rachel Packham, Audit Senior at KPMG, had also been invited. Introductions were made.

**02.21 APOLOGIES FOR ABSENCE**

Graham Ward, Paul Dale.

**03.21 DECLARATIONS OF INTEREST**

None.

**04.21 MINUTES**

The minutes of the meeting held on 9 June 2020, having been circulated, were taken as read and were approved.

**05.21 MATTERS ARISING**

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

Item 21.19

The business continuity review was in progress. Assurances were available from a number of sources. Covid-19 impacts were being noted.

Item 37.19

The Board Assurance Framework would be discussed later in the agenda.

Item 08.20

The Director of Finance & MIS would provide guidelines as agreed.

Item 09.20

There were separate work strands for counter fraud certification and ISO certification. These would be picked up in audit work during the year and as part of the corporate strategy update.

Item 22.20

Internal audit reports had been circulated as agreed.

Item 30.20

The committee self-assessment report had been updated as agreed.

**06.21 COLLEGE FINANCIAL STATEMENTS**

The Director of Finance & MIS gave a brief introduction. There had been no major changes in terms of accounting requirements in year. The audit had been thorough and had been completed smoothly.

The report cover sheet showed a reconciliation between the management accounts position reported at 31 July 2020 and the statutory accounts figure. The final statutory accounts figure, after adjustments for FRS102, was a loss of £21.099m. This was largely accounted for by actuarial losses and other pension adjustments due to FRS17.

Governors were encouraged to read the statement of corporate governance and the narrative information within the accounts. Transparency about the operational performance in year, regardless of the accounting adjustments, was key.

KPMG had issued their management letter, and this year there were two low priority controls recommendations made.

There were new disclosure requirements this year for the Office for Students (OfS), so there were additional notes to the accounts to include this.

Page 4 set out the impacts of Covid-19. Financial impacts were less than anticipated, other than on pension valuations. There were however human impacts of the pandemic. Staff were working harder to maintain a normal level of activity.

There were no specific going concern issues, other than the general state of the economy and the FE sector. Walsall College was in a relatively strong position compared to some other colleges.

Mark Dawson, Reporting Accountant from KPMG, confirmed that the audit was substantially complete and an unqualified opinion on the accounts was expected to be issued. The audit work had again gone smoothly. There were a small number of outstanding items to be completed, including work on the pension liability. There had been a very large increase in the net liability due to factors outside of the control of the college. This was the case across the education sector.

Other areas of audit focus had been the access and participation plan expenditure for OfS and the regularity opinion.

There were two low priority control recommendations made. Both related to remote working due to Covid-19. Details were in appendix 1.

An updated report would be provided for Corporation after all work was concluded.

As usual, KPMG had provided some sector update information, which Governors were encouraged to read.

The Letter of Representation was not yet available but would be circulated as soon as possible.

The Director of Finance & MIS commented that the ESFA had changed the deadline for submission of the accounts to 31 January 2021. However, he still intended to work to the original deadline of 31 December 2020, and assured Governors that the college was on track to meet this.

Comments and questions were invited.

The Chair noted the two recommendations made. He noted that they appeared to relate to best practice, so these were deemed to be helpful and constructive. The Chair also thanked the Finance team in completing the accounts and audit work despite the challenging circumstances.

It was confirmed that the principal risks and uncertainties section of the report needed updating, and that this would be done ahead of the Corporation meeting. The Director of Finance & MIS confirmed a number of elements to be completed. No fundamental changes were expected. The Head of Finance outlined some changes made since the papers for this committee had been issued.

Director of  
Finance &  
MIS

The Chair suggestion an expansion to the public benefit statement, which would be considered. The Chair felt that this would be useful in showing the work of the College in a favourable light, and that the opportunity to do this should be considered, possibly as an Appendix to the College's Corporate Strategy Document and subsequently as part of an ongoing update on the progress made on delivering that strategy

Governors were asked to note:

- The Regularity Audit Self-Assessment Questionnaire;
- The Student Trust accounts;
- Broadway Training Ltd accounts; and
- The Student Union accounts.

The Student Trust had been dissolved in October 2020.

The Chair commented that the Regularity audit information would be useful to feed into the updated Board Assurance Framework.

It was **resolved** that the College accounts, Regularity Audit Self-Assessment Questionnaire, KPMG's Year-End Report, Student Trust accounts, Student Union accounts and Broadway Training Limited accounts were all **received**.

Mark Dawson and Rachel Packham left at 9.50am.

## **07.21 FUNDING ASSURANCE AUDIT REPORT**

Andy Foley gave an update on the substantive audit work undertaken for funding assurance in 2019/20. Testing had been undertaken on four different funding streams and there were ten compliance related recommendations. Six of these were rated as high priority.

The recommendations relating to AEB and apprenticeships were explained in some detail. Some related to areas identified previously. The Director of Finance & MIS noted that there was further improvement work to do. However, the processing of paperwork and the capturing of relevant information was now much better. The backlog had been cleared.

The Head of MIS noted that the staffing levels within his team were fine, but that there was a need to review the skills set, which could lead to a re-structure. New paperwork had been introduced for apprenticeships to

further improve the validation process. It was acknowledged that there had been a lot of changes to the requirements for apprenticeships in particular.

The final section of the report related to study programmes. A pragmatic view had needed to be taken to balance the evidence available with the funding requirements. Covid-19 had undoubtedly affected the hours attended.

The Chair commented that it was reassuring to see the positive direction of travel in what was a very complex area.

Governors **resolved** to **note** the position with regard to the Funding Assurance Audit Report.

#### **08.21 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 a clear 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. In total there were 17 recommendations, of which two were overdue and four were in progress. Nine had been completed, two were superceded and none were not yet due.

The two areas with overdue actions were explained. A Quality Assurance Annual Report had not been deemed appropriate for this year as the college had received a full Ofsted inspection, as a result of which there was a detailed action plan. Commercial activities had been furloughed due to the pandemic, so there had been no progress in reviewing this area.

In addition to this update, which was based on management comments, RSM had completed Follow Up work as part of the 2019/20 internal audit plan. This would be reported at the next agenda item.

It was **resolved** that the Audit Recommendation Tracking Report was **received**.

#### **09.21 INTERNAL AUDIT REPORTS**

Louise Tweedie, RSM Partner, presented the reports. Recent work had been completed remotely due to the ongoing pandemic.

##### 04.19/20 Follow Up

48 recommendations in eight reports issued in 2018/19 had been followed up. The overall conclusion was that reasonable progress had been made, as 34 of the 48 recommendations had been fully addressed. A further six had actions ongoing and only three had not been implemented.

##### 05.19/20 HE Provision

The scope of the work was confirmed as having covered the HE provision in both Walsall and London. The overall conclusion was Reasonable Assurance as to the adequacy and effectiveness of the control environment and application. There were three medium and four low priority recommendations agreed with management. The medium priority recommendations were explained in some detail.

The Chair commented on the wording of the executive summary, which he felt was confusing. He also asked about the recommendation in relation to the financial viability of the HE offer. There was a discussion about the ability to separate out the income and expenditure relating to HE provision, which was not straightforward as the college did not have dedicated HE staff. There were also non-financial reasons for having an HE offer, so decisions were not made on purely financial grounds.

#### Internal Audit Annual Report 2019/20

The report summarised the work in year, including the number of recommendations and individual levels of assurance for every audit assignment completed. Due to the impact of Covid-19, two audits had been cancelled, but it was confirmed that this had not impacted on RSM's ability to form an opinion. The Internal Audit Opinion was set out on page 2. This was a clean opinion, stating that 'The organisation had an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, our work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective'.

The Director of Finance and MIS confirmed that the college management team was pleased with the overall results of the year's internal audit work, which reflected the efforts put into ensuring that there was a strong control framework.

The Chair asked whether the changes to the Board Assurance Framework and Risk Register affected the opinion. It was confirmed that it did not. Processes were in place, but were being changed and improved.

Louise Tweedie noted that in general the only RSM FE sector clients with wholly green RAG rated annual opinions from this year were sixth form colleges. This reflected the fact that their systems, processes and funding were considerably less complex than general FE colleges such as Walsall.

It was **agreed to recommend** the approval of the Internal Audit Annual Report to Corporation in November.

#### Internal Audit Progress Report

This was RSM's usual report to give members a reminder of when audits were scheduled in year. The first visit would be in mid-December.

It was **resolved** that the Internal Audit Progress Report was **received and accepted**.

### **10.21 SUB CONTRACTOR CONTROLS ASSURANCE REPORT**

Andy Foley confirmed that this work was required by the ESFA where colleges has sub-contracting arrangements in excess of £100k. ESFA could request a copy of the final audit report. The scope of the work had been to assess the design and operating effectiveness of the policies and procedures in place to comply with the funding regulations.

The list of current subcontractors was noted.

Four recommendations had been made and agreed with management. One was rated as high priority and the others as medium priority.

The Chair sought assurance that management was addressing the issues raised.

The Director of Finance & MIS commented on the current subcontracting in place, including a new contract. Monitoring was continuing to take place, in a Covid secure way. The college did not enter into subcontractor arrangements unless it was satisfied that due diligence had been completed, and if delivery started before contracts were signed, this was at the subcontractors own risk.

It was **resolved** that the Sub Contractor Controls Assurance Report was **received and accepted**.

#### **11.21 ARRANGEMENTS FOR THE PREPARATION OF THE AUDIT COMMITTEE ANNUAL REPORT**

The Clerk advised members that the Committee's Annual Report had been drafted and could be completed now that the KPMG's Year End Report, and the RSM Internal Audit Report had been received.

It was **agreed** that the report would be forwarded to the Committee Chair for initial comment, updated if necessary and forwarded to all members prior to being presented with the accounts at Corporation on 26 November 2020.

Clerk

#### **12.21 TERMLY BOARD ASSURANCE AND RISK MANAGEMENT REPORT**

The report was presented by the Director of Finance & MIS.

The Risk Management Policy had been reviewed and revised. It supported the 4Risk system, which had been implemented and was moving to being fully embedded across the college.

A new Board Assurance Framework Policy had been drafted, following discussions at the Governor Training event in October and input from a small working party earlier in November. Further work was needed to develop the Framework, in line with the update to the strategic plan. This would come back to the next committee meeting in March.

The Chair noted that he had raised several points in writing with the Director of Finance & MIS. One related to the suggestion that Governors be given read only access to 4Risk. The Director of Finance & MIS agreed to this. It was felt that a short briefing session on 4Risk would be beneficial for the committee members.

Director of  
Finance &  
MIS

Governors **resolved** to **accept** the Termly Board Assurance and Risk Management Report and to **approve** the Risk Management Policy.

#### **13.21 REVIEW OF COMMITTEE ANNUAL WORKPLAN 2020/21**

The Clerk introduced the paper, noting that the work plan attached had been shared with the Director of Finance & MIS during the summer. It remained flexible to allow items that arose during the year to be added where necessary, including suggestions from committee members.

Governors **resolved** to **note** the Committee workplan.

Representatives of RSM and KPMG left at 1045 hrs.

**14.21 ARRANGMENTS FOR THE REVIEW OF AUDIT SERVICES**

The Director of Finance & MIS advised members of the contractual position with regards to the audit services, which were now in their third year.

There was an option to extend all three contracts for a further two years each without going back to tender. The management team views were as set out in the written report. There were no concerns with the services provided and therefore it was proposed that the extension option was taken for each contract.

Governors discussed the proposal and expressed the view that as there were no concerns, undertaking a full tender exercise at this time would add further unnecessary stretch to management capacity.

It was therefore **agreed** that all three audit contracts would be extended by a further two years, to 31 July 2023.

**15.21 DATE AND TIME OF NEXT MEETING**

Tuesday 16 March 2021 at 0830 hrs.

It was noted that this was Alastair Scales' last meeting as Committee Chair, as his term of office as a Governor would end in February 2021. Graham Ward would become Chair at that time.

The Director of Finance & MIS thanked Alastair on behalf of the management team for his hard work and enthusiasm as Committee Chair. The level of insight and diligence he had brought to the role was recognised and appreciated.

The Chair thanked the management team for their support of the committee and its activities. It had been a pleasure to work with them. The Chair also thanked the auditors for the high standard of their work during his tenure as Chair. It had been a pleasure to work with them.

The meeting ended at 1055 hrs.

How Governors challenged management		Impact of meeting on College	
06.21	Suggested an expansion of the public benefit statement in the statutory accounts.	09.21	Recommended Internal Audit Annual Report for Corporation approval.
10.21	Sought assurance that the issues raised in the subcontracting audit report were being addressed.	12.21	Approved the Risk Management Policy.
		13.21	Agreed Committee annual plan of business.
		14.21	Approved two year extension to all three audit contracts.