

**WALSALL COLLEGE
MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD ON MONDAY 28 JUNE 2021 AT 1000 HRS
VENUE: VIA ZOOM**

PRESENT: Graham Ward Chair
 Paul Dale
 Fiona Macmillan
 Alan Woods
 Aisling McGowan (from 1055
 hrs)

TOGETHER WITH: Matthew Brown Director of Finance & MIS
 Louise Tweedie RSM
 Mark Dawson KPMG
 Alison Buick Clerk to the Corporation

APOLOGIES: Jacky Leek

16.21 PRIVATE MEETING OF THE COMMITTEE WITH THE AUDITORS

The private meeting took place before the Director of Finance & MIS joined the meeting. Details of this have been minuted separately for reasons of confidentiality.

17.21 CHAIR'S OPENING REMARKS

The Chair welcomed all to the meeting and thanked them for their attendance.

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

18.21 APOLOGIES FOR ABSENCE

Jacky Leek.

19.21 DECLARATIONS OF INTEREST

None.

20.21 MINUTES

The minutes of the meeting held on 16 March 2021, having been circulated, were taken as read and approved.

21.21 MATTERS ARISING

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

Item 21.19

The college would review business continuity planning and IT disaster recovery after the pandemic.

Item 08.20

The review of the guidelines for setting audit action deadlines and for ensuring that updates are provided by responsible officers was in progress and would be finalised for the next meeting.

Item 12.21

4Risk would be covered later in the agenda. Staff training on this was to be scheduled.

Item 21.21

This item would be considered later in the agenda.

Item 22.21.1

It was confirmed that cyber security was an area within the internal audit plan.

Item 22.21.2

Risk appetite had been included in the Governor Training event on 14 June 2021.

Item 22.21.3

Benchmarking data had been circulated as agreed.

The Chair asked whether the first point should be separated out into two actions. The Director of Finance & MIS agreed and noted that the Exec Team were specifically looking at cyber security risks and the home versus office working agreements.

Governors discussed timescales for actions, noting that regardless of Covid-19, some appeared open ended and therefore needed to be tightened. Smart targets were needed. Completion by November 2021 was agreed for the first two actions on the list.

22.21 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 an update against all outstanding recommendations, together with a RAG rating. Some updates had been provided by responsible managers in their areas, but there were other areas that had been included in the recent Internal Audit Follow Up work. RSM would therefore comment on those in their later report. There were three overdue recommendations and seven that were in progress. Three had been completed. Eight were 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.

Questions and comments were invited.

A Governor noted that the responsibility for the report should return to the Finance team and not lie with the Clerk. This would be in line with the Exec responsibilities for risk management being with the Director of Finance & MIS.

The Chair asked about timescales for actions relating to counter fraud and whistleblowing and it was confirmed that these would be complete by November 2021. The Whistleblowing policy would be taken to Corporation

next term. It was agreed that the fraud response plan needed work and would be brought back to the Audit Committee in November 2021.

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

23.21 INTERNAL AUDIT REPORTS

Louise Tweedie presented the following reports on behalf of RSM.

Internal Audit Report 03.20/21 HR and Payroll Controls

The scope of this audit review was to review and test key controls in respect of starters, leavers and changes to ensure that these were subject to segregation of duty and appropriate authorisation within the Finance team to ensure that the correct payments were made. The production and review of the payment reports was also considered.

In respect of Human Resources, the focus was on the interface with the Finance team for starters, leavers and changes, and also how the Human Resources team was structured to support cross-College colleagues with matters such as recruitment, appraisals and performance management.

The overall conclusion stated that substantial assurance had been given, meaning that the controls upon which the organisation relies to manage the area were suitably designed, consistently applied and operating effectively.

Two recommendations were agreed for management action, one rated as medium priority and the other as low priority.

The Chair asked about the acceptance of risks around controls to changes of bank details. The Director of Finance & MIS was satisfied that there were controls in place to identify any issues. The volume of such changes was relatively small.

Internal Audit Report 05.20/21 Follow Up

The scope of the audit was to assess the degree of implementation achieved of the management actions reported to the Audit Committee as implemented. This included the agreed management actions made in the following 2019/20 assignment reports:

- Staff Utilisation Framework (02.19/20);
- Curriculum Development and Management Controls (03.19/20);
- Follow Up (04.19/20); and
- HE Provision Arrangements (05.19/20).

The overall conclusion stated that reasonable progress had been made. In total, the status of 26 recommendations was considered. Of these, the following was reported:

- 11 were now implemented;
- 5 had ongoing implementation and evidence of progress was clear;
- 5 had not yet been implemented;
- 5 had been superceded; and
- None were not yet due for action.

In terms of recommendations made or re-stated, there were nine in total. Six of these were rated as medium priority and three as low priority.

Based on RSM's experience in other colleges, Walsall's rate of progress on actions during the pandemic was good.

The Chair asked how RSM selected reports to follow up. It was explained that all agreed actions from the previous year's work were followed up, either as part of this review or if they fell within the scope of another audit in year, such as finance.

A Governor asked if the Homeworking policy referred to in the report had been finalised. The Director of Finance & MIS did not think it had. The Governor went on to comment on actions that were planned when 'normal working resumed'. It was his view that it was difficult to see when this may be, and therefore actions needed to be smarter and with a more specific date attached to them.

There was a discussion about the continuing unstable environment in which the college continued to operate. It was not the intent of management to defer actions unnecessarily, but there was a definite element of juggling priorities within changing Government and DfE guidance. The college operating model had been disrupted and continued social distancing had made some activities harder. All businesses were reviewing operational working practices. The Chair suggested management should review outstanding actions to see if they were still relevant, and if so to update completion dates. This would be possible through 4Risk in future.

It was confirmed that there were no specific resourcing issues preventing actions from being completed.

Internal Audit Progress Report

All planned audits for the year had been completed and reported to the Committee. All assurances were positive and RSM had no concerns that would affect their annual report.

Governors' attention was drawn to the updates at the back of the report. This included areas of interest to Audit Committee members, namely on remote meetings and a general sector update. Of particular note were changes to the Post 16 Audit Code of Practice, including:

- The expectation that college Audit Committees should meet at least three times per year;
- That assurances around subcontracting should be included in the committee's annual report to Corporation;
- That the date of appointment of external auditors should also be included in the committee's annual report to Corporation;
- Changes to requirements for external audit reporting, which now needed to be to the full Corporation.

Internal Audit Report 06.20/21 Quality Assurance Systems

The scope of the audit was to review the Post-Inspection Action Planning processes and select a sample of the actions to undertake testing to verify whether evidence existed to demonstrate the status of the action. There was also a review of how quality processes have been adapted to reflect a higher proportion of provision being delivered through technological means.

The overall conclusion stated that substantial assurance had been given, meaning that the controls upon which the organisation relies to manage the area were suitably designed, consistently applied and operating effectively.

One low priority recommendation was agreed for management action.

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

24.21 STRATEGY FOR INTERNAL AUDIT 2021/22 TO 2023/24

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 2021/22 in Section 2. A number of areas had been considered in drafting the plan, including the college's identified risks, compliance and legal requirements relevant to the FE sector and cyclical coverage of core business areas such as Finance, HR and IT. 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 2021/22 were explained.

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.

A Governor asked whether there would be any review to look at the return on investment of recent acquisitions, such as WACC and CITB. The Director of Finance & MIS responded that there had been assessments against the operational costs and benefits but not specifically against the strategic decision itself. There had been discussions at SMT. Some consideration would be given to how best to do this. The Chair felt that this should be in the form of a post project implementation review. The Director of Finance & MIS also felt that this linked to discussions about risk appetite and what circumstances would allow the college to be more speculative. In the cases of WACC and CITB there were no significant financial risks, which had been important to the decision making.

The Chair asked about the timescale for the IT review in the audit plan. RSM would be using specialist staff for this and the date would be agreed as soon as possible.

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

25.21 EXTERNAL AUDIT PLAN AND STRATEGY

Mark Dawson presented the External Audit Plan and Strategy for the year ended 31 July 2021 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.

There were no new accounting standards but there were some changes to the Post 16 Audit Code of Practice, the College Accounts Direction and the auditing standards, as set out in the appendix.

There were no specific concerns about the finances of the college. The audit risks identified were fairly standard. The level of risk around going concern had been lowered compared to the previous year.

Governors discussed going concern and the variables that would affect the judgement. KPMG commented that the going concern window was relatively narrow and there were a number of factors that made forecasting future student numbers and income difficult. Wider Government policy objectives, some of which were uncertain, affected this. The Director of Finance & MIS agreed, adding that Government policy did not allow for any inflationary uplifts to funding but that inflationary pressures were being felt in both pay and non-pay costs.

Revenue recognition risks were discussed. The risks around ESFA funding had increased as no year-end statement would now be provided on the funding earned in year. KPMG as a firm were still consulting internally on the type of additional audit work that would be needed to allow assurances on this to be given in the absence of the ESFA statement. They did not wish to replicate a full funding audit. The final approach would be shared with the college once agreed.

Further questions and comments were invited.

Governors discussed other income risks and the report on ‘Restoring Trust in Audit and Corporate Governance’ as noted in Appendix 11 of KPMG’s report.

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

26.21 FUNDING ASSURANCE AUDIT

The Director of Finance & MIS explained that the college would continue to have a separate engagement with KPMG for a funding assurance audit in year. This was carried out by a team independent of the external auditors.

There had been a delay to the controls assurance work this year, but it had been completed in June and would be reported to the next meeting. Substantive testing work would be undertaken in the usual timescale.

There was a discussion about the use of electronic signatures for contracts.

A Governor asked for clarification about an acronym used and this was explained. The use of analytics data generated from the MIS system to identify and check potential anomalies and errors was also explained.

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

27.21 RISK MANAGEMENT TERMLY REPORT, INCLUDING BOARD ASSURANCE FRAMEWORK

The Director of Finance & MIS presented his report. He had met with the Chairs of both Audit Committee and Finance and Resources Committee to discuss progress in implementing 4Risk. Specialist staff at RSM had been engaged to assist with the project to complete this. So far, 12 strategic risks had been identified. These would be discussed at SMT later in the week.

The project to populate and embed 4Risk was expected to be completed by the time of the next Audit Committee in November 2021. An interim update would be provided to the Committee Chair during the summer.

The Chair asked whether staff were happy that the work was on target so far, and it was confirmed that they were.

The Chair also commented that as well as staff training, the committee members still needed to have some oversight and awareness of how 4Risk operated.

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

28.21 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. The RAG rating had again 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 2020/21.

The Chair suggested that the additional work commissioned on the risk register be reflected in the document, and this was agreed.

Governors discussed expectations to complete training to refresh and expand their knowledge. There was a suite of training available from ETF and it was agreed that this should be reviewed at Search and Governance Standards Committee. The Clerk confirmed that there were ongoing discussions with the Chair and Vice Chair on this, and that the ETF modules would be made available to Governors. The Chair noted that training and ongoing Governor development linked into the periodic Governor skills audits. For some Governors, certain topics were of more interest than others, and it was the case that there were mixed experiences and exposures to areas of college business. The collective nature of the skills of Governors meant that the overall skills base of Corporation was broad.

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

Clerk

29.21 DATE AND TIME OF NEXT MEETING
Tuesday 16 November 2021 at 0830 hrs.

The meeting ended at 1150 hrs.

How Governors challenged management		Impact of meeting on College	
21.21	Noted that outstanding actions needed SMART target dates for completion and to be closed down more promptly.	24.21	Recommended Strategy for Internal Audit and associated fee for Corporation approval.
22.21	That the audit recommendation tracking report should return to the finance team.	25.21	Recommended External Audit Plan and associated fee for Corporation approval.
24.21	Questioned whether there would be any review to look at the return on investment of recent acquisitions.		