

**WALSALL COLLEGE  
MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD ON TUESDAY 16 NOVEMBER 2021 AT 0830 HRS  
VENUE: VIA TEAMS**

<b>PRESENT:</b>	<b>Graham Ward Fiona Macmillan Charlotte Bosworth Paul Dale Nick Tomkys</b>	<b>Chair</b>
<b>TOGETHER WITH:</b>	<b>Matthew Brown Jacky Leek Phil Brockhurst Louise Tweedie Mark Dawson Andy Foley (until Item 08.22) Richard Mackie (Item 14.22) Alison Buick</b>	<b>Director of Finance &amp; MIS Head of Finance Head of MIS RSM KPMG KPMG RSM Clerk to the Corporation</b>
<b>APOLOGIES:</b>	<b>Alan Woods</b>	

**01.22 CHAIR'S OPENING REMARKS**

The Chair welcomed everyone to the meeting and thanked them for their attendance. Introductions were made to Nick Tomkys, new Associate Governor attending for his first meeting. Louise Tweedie noted that she had worked previously at RSM with Nick. Phil Brockhurst, Head of MIS, had also been invited to attend, as had Richard Mackie from RSM who would join later in the agenda.

**02.22 APOLOGIES FOR ABSENCE**

Alan Woods.

**03.22 DECLARATIONS OF INTEREST**

None.

**04.22 MINUTES**

The minutes of the meeting held on 28 June 2021, having been circulated, were taken as read and were approved.

**05.22 MATTERS ARISING**

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

Item 21.19.1

Business continuity planning would be covered later in the agenda.

Item 21.19.2

IT disaster recovery would be covered later in the agenda.

Item 08.20

Guidelines on responding to audit recommendations had been established.

Item 12.20

Work was ongoing in relation to 4Risk implementation.

Item 22.21

The Fraud Response Plan would be discussed later in the agenda.

Item 28.21

The Committee self-assessment report had been updated to reflect the additional work of RSM on risk management.

**06.22 FUNDING ASSURANCE AUDIT REPORTS**

Andy Foley gave an update on the work undertaken for funding assurance in 2020/21. An annual work plan had been agreed and this included both the controls aspects and the substantive testing. Both reports had now been finalised, although it was noted that the controls one had not been circulated with the committee papers. This would be emailed after the meeting.

Director of  
Finance &  
MIS

The following were highlighted in respect of each review:

Funding Review - Controls 2020/21

- The work had focused on areas of potential increased risk;
- There were three recommendations made, as set out in the written report, and relating to the main enrolments process, the apprenticeships application process and the apprenticeships SLA.

The Head of MIS explained the new reporting process now agreed with the ER team. The college was also implementing Docu Sign and had a new apprenticeships management system in place. All of these developments were expected to address the recommendations made.

The Chair asked whether there were any issues with implementing controls at CCM. The Director of Finance & MIS had no concerns about this. As CCM was new provision for the college, controls were being embedded.

Funding Review Substantive 2020/21

- The ESFA's funding assurance audit methodology had been followed;
- There were eight observations made for management to consider;
- 82% of college provision was study programmes but only one of the observations related to this area. The rest related to apprenticeships provision, which was in line with KPMG's findings elsewhere in the sector. Apprenticeships funding was inherently complex;
- There was one high priority observation, relating to Additional Learning Support (ALS);
- KPMG's view was that the compliance levels in apprenticeships provision at Walsall had improved.

The Director of Finance & MIS agreed that improvements had been made in apprenticeships but that there were further things to work on.

There was a discussion about ALS for apprentices. The Chair asked whether the issue was about evidencing what was done or identifying the

needs at the outset. The Director of Finance & MIS felt it may be a combination, but that the staff teams were working on this area.

The Chair noted the reduced sample sizes for this year's audits and queried this. KPMG confirmed that this was in line with ESFA guidance to reduce to 30 due to the pandemic.

A Governor commented on the likelihood of Ofsted focusing on apprenticeships and ALS. It was confirmed that for apprentices, 20% of the work needed to be off the job training, but that this was only a funding audit issue if the apprenticeship was completed without the 20% element having been done. The Head of MIS confirmed that the MIS staff were aware of the need to record off the job training appropriately. Auditors expected this to be verified as part of the apprenticeship completion process.

A Governor asked how the recommendations made in the funding assurance reports would be followed up. It was important for the committee to be confident that they were being addressed. The Head of MIS confirmed they would be discussed again with KPMG as part of the planning for next year's audit. The Director of Finance & MIS did not expect them to be part of the Audit Recommendation Tracking Report. He also felt that the issues were not systemic but that they related to individual student cases. Given the volume of learner records, it was not possible to give full assurance that there were no funding errors.

The Chair commented that the reports showed the college position against current standards but that these could change. Governors would look to management for assurances that any systemic issues were addressed promptly.

Governors acknowledged that the highest risk of non-compliance with funding rules was in apprenticeships due to the complexities. There was a discussion about whether the level of resources was adequate.

Governors **resolved** to **receive** the Funding Assurance Audit Reports.

#### **07.22 SUB CONTRACTOR CONTROLS ASSURANCE REPORT**

Andy Foley confirmed that the ESFA's audit requirements this year had changed. However, KPMG had completed such reviews at Walsall for the last four years. The review covered controls aspects only, as the audit framework did not stipulate learner testing.

The subcontracting partnerships in place were long standing and well established.

The observations arising from the audit were summarised.

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

#### **08.22 COLLEGE FINANCIAL STATEMENTS**

The Director of Finance & MIS gave a brief introduction. The ESFA had decided earlier in the year that Governors need to assure themselves

further over the use of funds and therefore the external audit requirements for regularity and financial statements had increased.

The financial statements and other documents had been provided for information at this meeting. They would be considered at both Finance and Resources Committee and Corporation next week. The Regularity Audit Self-Assessment Questionnaire had already been presented to Finance and Resources Committee in October.

Governors would need to consider carefully the going concern status of the college, and be confident of this, before approving the accounts.

The report cover sheet showed a reconciliation between the management accounts position reported at 31 July 2021 and the statutory accounts figure. The final statutory accounts figure, after adjustments for FRS102, was a loss of £2.6m. This was largely accounted for by pension, capital grant release and goodwill adjustments.

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.

The Student Union accounts and Broadway Training accounts were noted. Broadway remained dormant.

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.

The auditing requirements had changed this year in respect of assurances over income, as mentioned earlier. There had been no significant changes to the accounting requirements.

KPMG had changed the wording of their overall opinion. It was now longer and included a more explicit section on going concern as well as more extensive disclosures on fraud work and fraud risk assessment.

Governors' attention was specifically drawn to the following:

- Covid-19 continued to impact on the operation of all colleges;
- Walsall College was cash positive so there were no going concern issues to report at this stage;
- It was expected that all audit work would be completed for the planned sign off date;
- The significant audit risks identified and work completed to address these was noted;
- No risks of material funding errors had been identified;
- All significant judgements and unusual transactions had been identified;
- The LGPS valuation had been reviewed. A new appendix had been added to the year-end report to show how the liability had changed compared to the previous year;
- KPMG were finalising their internal consultations on their opinions and this was expected to be completed soon;

- The disclosure relating to the HE Access and Participation Plan required a specific opinion. There were no issues with this.

Questions and comments were invited.

A Governor commented on the information in the accounts about the Modern Slavery Act. There was a requirement to publish information on this on the college website, but this appeared to be very brief. The Director of Finance & MIS agreed to look at this to confirm that it met requirements. The policy would be circulated to Governors.

Director of  
Finance &  
MIS

The Chair was happy with the information as presented and that it fairly represented the college position at the year-end.

The Director of Finance & MIS commented on the work of the Finance team in preparing the accounts and supporting the audit. The Chair asked that thanks to be passed on from the committee.

Governors were also asked to note:

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

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

## 09.22 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. In total there were 22 recommendations, of which none were overdue and six were in progress. 15 had been completed, none were superseded and one was not yet due.

There had generally been good progress in closing down recommendations since the last meeting, aided by RSM's follow up work in the summer term and an improved degree of ownership from the management team. RSM would again carry out follow up work later in the year.

The Director of Finance & MIS commented on the work to evolve the risk management process. The internal audit work was driven by the Board Assurance Framework (BAF) and it was expected that the audit recommendations would be moved onto 4Risk by the summer term. The reporting format would therefore remain the same for the spring term but change for the summer term.

A Governor asked if 4Risk would include recommendations arising from external and funding assurance work as well. The Director of Finance & MIS thought not but would confirm this. RSM confirmed that they intended to follow up all agreed recommendations and report back later in the year.

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

## 10.22 INTERNAL AUDIT REPORTS

Louise Tweedie, RSM Partner, presented the reports. Recent work had been completed remotely due to the ongoing pandemic. There were no finalised assignment reports for this meeting as work had only recently been undertaken.

### Internal Audit Annual Report 2020/21

The report summarised the work in year, including the number of recommendations and individual levels of assurance for every audit assignment completed. 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. It was a good outcome given the ongoing challenges due to Covid-19.

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 April 2021. IT specialists would be brought in to look at this area. All work would be completed and reported in year.

Governors noted the client briefings and sector updates included in the report. The Director of Finance & MIS commented on the impact of Natasha's Law on food packaging, which had been taken into account during the investment when catering had been brought in-house from August 2021.

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

## 11.22 UPDATE ON BUSINESS CONTINUITY PLANS AND IT DISASTER RECOVERY PLAN

The Director of Finance & MIS reported that the college was working with Hettle Andrews, the insurance brokers, to look at this area. The work was expected to be completed in time to report to the March Audit Committee meeting.

Overall, management were confident that that the IT specific disaster recovery plans were robust but that the non-IT areas were less so. The time to be spent on this was to be agreed.

A Governor commented that their business had also looked at this and that linking to the work to the insurers would provide some useful benchmarks. It could also potentially help manage future costs. Testing the recovery plans was a key activity, but it was acknowledged that it was easier to do this in IT than non-IT areas.

Governors **resolved** to **note** the progress on Continuity and Recovery Plans.

## **12.22 APPROVAL OF FRAUD RESPONSE PLAN**

The Head of Finance presented her report. The need for an approved Fraud Response Plan had been an audit recommendation in the previous year. Although this had been in place, the specific recommendation was to ensure that this was kept confidential and not published.

As a result, the policy had been separated from the plan and the strategic intent had been added. The Committee's responsibilities for fraud and the reporting requirements had also been added.

There would be a formal review every three years.

The new document had the following elements:

- Commitment to prevention and detection of fraud;
- Sanctions if fraud was identified;
- Fraud risk assessment;
- Implementation of controls;
- How to notify possible fraud to the Exec team;
- The requirement to self-assess against ten questions included in the Post 16 Audit Code of Practice.

The Chair asked what the reporting requirements to the Audit Committee were. The Head of Finance responded that it was that all actual and attempted fraud be reported. In addition, any more significant instances were to be reported immediately to the Chair and Corporation Chair.

The Chair asked if Governors needed fraud training and it was agreed that this would be considered for the next Governor Training event, in February 2022.

A Governor asked if there was a separate Anti Money Laundering Policy. The Head of Finance responded that this was included within the Bribery Policy and Financial Regulations.

Governors **resolved** to **approve** the Fraud Response Plan.

## **13.22 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.

**Director of  
Finance &  
MIS,  
Principal**

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 25 November 2021.

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

Governors were introduced to Richard Mackie, Consultant at RSM, who was assisting with the project to implement 4Risk. Progress had been made since the last Committee meeting. The cover sheet showed areas of action that had been agreed.

Richard Mackie outlined his work with the college to date, which had been to identify the core strategic risks, themes and targets with the management team. The current stage was to identify the assurances and controls in place.

The strategic risk areas were shared on screen.

The 'three lines of assurance' model was explained, being:

Level 1 – operational

Level 2 – oversight

Level 3 – independent assurance

It was agreed that the risk approach in place needed to be proportionate. The scoring methodology was also explained.

The Chair commented that the inherent risks were visible in this model, which was helpful. However, it was recognised that the changes were still at an early stage. The Committee needed to be comfortable with the changes and reporting. He looked forward to the planned Governor training.

The Director of Finance & MIS noted that members would be given read-only access to 4Risk. This would enable management updates to be viewed and provide assurance on the areas being reviewed.

Richard Mackie outlined the reporting options available. Regular reporting would enable controls that were breaking down or not working effectively to be identified.

Governors agreed that the approach appeared to be sensible and were pleased with the progress to date. It was hoped that maximum benefit could be taken from this. The Director of Finance & MIS agreed. The process would be moved from Exec to SMT level, would be iterative and would provide an ongoing narrative to add value to the running of the college.

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

#### **15.22 REVIEW OF COMMITTEE ANNUAL WORKPLAN 2021/22 AND TERMS OF REFERENCE**

The Clerk noted the draft workplan that had been provided. It would be used as the basis for agenda setting in year but was flexible if changes



were needed. As usual, Governors were reminded that they could request agenda items.

The terms of reference had been reviewed in line with the agreed three-year cycle. Minor amendments had been made but the document remained in line with the requirements of the Post-16 Audit Code of Practice.

Governors **resolved** to **note** the Committee workplan and to **recommend** the terms of reference for Corporation approval.

**16.22 DATE AND TIME OF NEXT MEETING**

Tuesday 15 March 2022 at 0830 hrs.

The meeting ended at 1040 hrs.

How Governors challenged management		Impact of meeting on College	
06.22	How the recommendations made in the Funding Assurance audit would be followed up.	10.22	Recommended Internal Audit Annual Report for Corporation approval.
09.22	Whether the planned future reporting from 4Risk would include the recommendations from the external and funding assurance audits.	12.22	Approved the Fraud Response Plan
		15.22	Agreed Committee annual plan of business and recommended Terms of Reference for Corporation approval.