

Item 23.22

Action to review procedures for debts was not yet due for completion.

Item 24.22.1

The Risk Management Policy review had been completed.

Item 24.22.2

Reputational risks had been discussed with RSM and were part of the ongoing work to populate 4Risk.

Item 26.22

The audit services tender would be brought back to the November committee meeting.

34.22 AUDIT RECOMMENDATION TRACKING REPORT

The Director of Finance & MIS 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 12 recommendations included in the report, of which five were complete, six were in progress and one was not yet due.

It was confirmed that this was a regular report to each committee, and represented the management view of the recommendations status. Independent review was carried out annually by RSM and they would report on this later in the meeting.

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.

The Chair commented on resourcing issues that had impacted progress in some areas. The Director of Finance & MIS explained staff absences and new recruitment in Payroll. He had deliberately de-prioritised the actions in this area. It was noted that this had been discussed in the private meeting with auditors and that RSM were happy to review the Payroll recommendations again in the summer and bring an update to the next meeting.

The Chair was pleased to see that the number of recommendations being actioned had increased in the last 12 months.

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

RSM

35.22 INTERNAL AUDIT REPORTS

Louise Tweedie presented the following reports on behalf of RSM.

Internal Audit Report 02.21/22 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 2020/21 assignment reports:

- Risk Management and Board Assurance (1.20/21);
- Governance Processes – Counter Fraud (2.20/21);
- Human Resources and Payroll Controls (3.20/21);
- Follow Up (5.20/21); and
- Quality Assurance Systems (6.20/21).

The overall conclusion stated that reasonable progress had been made. In total, the status of 22 recommendations was considered. Of these, the following was reported:

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- 3 had been superceded; and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

In terms of recommendations made or re-stated, there were six in total. Four of these were rated as medium priority and two as low priority.

It was confirmed that actions noted as incomplete would be reviewed again next year.

Clarification was sought on the recommendation to establish a risk management annual plan, and this was explained by the Director of Finance & MIS. It would be brought to a future committee meeting for members to review. The background to recent work on developing risk management reporting was explained for the benefit of the newest committee member.

There was a discussion about the frequency of reporting on risks to the Audit Committee, which was termly, and the fact that 4Risk was expected to be fully operational from 1 August 2022.

Internal Audit Report 03.21/22 Employer Engagement

The scope of the audit included testing of selected controls in respect of:

- the College's approach to employability such as work placements/ experience for students including how the College identifies and engages with employers to enable these to proceed. The approach was considered across funding streams, including T-Levels, 16-19 and apprenticeships.
- how students were made aware of employability initiatives.

Data analytics were used (where possible) to confirm:

- Percentage of students that did a work placement (by funding stream) (for 2020/21);
- Retention to end date of students with work experience by funding stream (for 2020/21);
- Retention to end date of students without work experience by funding stream (for 2020/21);

- Number of employers delivering work experience for the College (for the period 1 August 2020 to date of audit);
- Number of employers that take 1, 2, 3, 4 etc. students (for the period 1 August 2020 to date of audit).

The overall conclusion gave substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

One medium and two low priority recommendations were agreed with management.

The Chair commented that the report was very positive and expressed thanks to the Assistant Principal Quality and HE for his work in ensuring this outcome.

Internal Audit Progress Report

Three 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. Two audits were in progress and a third, on IT, was planned to be completed during the summer. Reports would be brought to the next committee meeting in November. It was agreed that they would be circulated to the Chair for information when finalised.

Director of
Finance &
MIS

Governors' attention was drawn to the updates at the back of the report. This included briefings recently issued by RSM on updated guidance on the role of Audit Committees and analysis of risk registers across the RSM education client base. Governors were recommended to read the summary section of the risk report., as this gave insights to changes risks in education. Louise Tweedie summarised the changes to the risk profile in the RSM clients.

There was a discussion about cyber security risks. The Head of IT and Business Systems would be giving a presentation on this to Finance and Resources Committee later in the month, a copy of which would be circulated to the Audit Committee members for information. There was ongoing management review of the IT operating model, which would inform the decisions on the programme for equipment replacement. Changing curriculum models and use of IT by students was a key factor in decision making. The planned Cyber Security internal audit work would also be useful in planning future investment. It was confirmed that the college did have cyber security insurance.

Head of
Governance

The Chair thanked RSM for their informative papers. Governors agreed that the briefing reports were very useful.

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

36.22 STRATEGY FOR INTERNAL AUDIT 2022/23 TO 2024/25

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 2022/23 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 and HR. 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 2022/23 were explained. It was noted that compared to previous years there were two additional audit areas included, equating to an extra ten days.

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.

The Director of Finance & MIS confirmed that he was happy with the proposed plan. Some areas were discussed, and Governors noted:

- the importance of the HE strategy, which would be part of the HE framework audit;
- the early stage management discussions about changing the HR system, which meant that an HR review would be helpful;
- the general concerns about increasing risks and impacts of pay and non-pay inflation;
- the planned management review of the restaurant;
- the potential scope of a safeguarding review on harassment and sexual misconduct, which were areas of focus for Ofsted. The safeguarding audit had originally been planned for this term but had been swapped for GDPR due to the vacancy for a Head of Student Experience;
- the possible scope of a governance review on the role of Corporation in monitoring environmental responsibilities.

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

37.22 EXTERNAL AUDIT PLAN AND STRATEGY

Tony Felthouse presented the External Audit Plan and Strategy for the year ended 31 July 2022 on behalf of KPMG. The requirements for the financial statements audit were largely unchanged.

The audit risks identified were fairly standard, as identified and mandated by Auditing Standards.

The Director of Finance & MIS commented on the new requirement from ESFA last year for external auditors to complete extra testing on funding, due to the ESFA withdrawing the funding statements on which reliance had previously been placed. This new requirement continued this year and was reflected in KPMG's plan. The work of KPMG was not as detailed as a full funding assurance audit, which was work separately commissioned by the college.

The was discussion about the assumptions on pension liabilities, which KPMG actuaries would review, and about pay and non-pay inflation.

It was agreed that there was no benefit in the college paying for a separate actuarial review.

Going concern issues for the sector generally were noted, although KPMG's assessment was that this was less of a concern at Walsall.

Materiality was discussed and had been increased.

The regularity audit work scope was unchanged.

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

(Julie Haywood left at 0940 hrs)

38.22 FUNDING ASSURANCE AUDIT

The Director of Finance & MIS noted that two draft reports had been issued by KPMG but not yet finalised. Management had no concerns about the contents and the delay was a timing issue. The reports would be shared with the Chair when finalised and presented at November's Committee meeting.

Director of
Finance &
MIS

It was **resolved** that the Committee **noted** the update on the Funding Assurance Audit reports.

39.22 RISK MANAGEMENT TERMLY REPORT, INCLUDING BOARD ASSURANCE FRAMEWORK

Richard Mackie of RSM joined on Teams for this item.

The Director of Finance & MIS gave an update and the following were noted:

- the rollout of 4Risk was at the final stages and would complete by the end of the year;
- training for management was ongoing with part two booked for July;
- it was intended to hold a meeting to update the Committee Chair in September;
- the general college risks, including the impact of inflation. This would be further discussed when the budget was reviewed at the Finance and Resources Committee in the following week;
- an update on the operational risks would be presented at the next Committee meeting, in November.

Richard Mackie commented on the training being provided and also the intention to re-review the Board Assurance Framework areas. It was important to ensure that this was kept up to date and that all actions were covered.

The Chair commented on the two stages of the project – being the initial set up and training, and then ensuring that the right information was in the system. There was still much to do. The Director of Finance & MIS agreed. Although risk management had continued, the risk assurance focus needed to be sharper and to be balanced with other management priorities. The Chair was happy that this continue, with regular updates to the committee.

Governors discussed first, second and third line assurances, and how these were aligned. Richard Mackie explained the process for updating 4Risk and that individual senior managers were responsible for collating and recording the assurances, not necessarily providing them. The system would send reminders when actions and updates were due. The Director of Finance & MIS added that the role of one of his managers as an internal risk officer was being reviewed, as that had an overarching review responsibility. She had acted as the interface between RSM and the college management team in the 4Risk roll out.

A Governor commented on the progress seen this academic year in developing risk management. Management were commended for the progress made, which had been considerable so far. The Chair thanked management and RSM for the work to date in this area.

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

(Richard Mackie left at 1010 hrs).

There was a short discussion about risk appetite, which needed a further discussion at Corporation. The Director of Finance & MIS would ask RSM to present on this at a time agreed with the Corporation Chair.

Director of
Finance &
MIS

40.22 SELF-ASSESSMENT OF THE AUDIT COMMITTEE

The paper was introduced by the Head of Governance and comments were invited. It was noted that the report format this year had remained the same as in the previous year, whereby the Head of Governance 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 originally by Governors in 2019.

Overall, Governors agreed that the self-assessment document was a helpful tool and an accurate reflection of the work in 2021/22.

There was a discussion about:

- the plans to tender audit services and agreement that an update would be brought to the next meeting in November;
- that the Committee vacancy needed to be filled and that this was part of a wider discussion on Governor recruitment;
- the external governance review requirement and the role of the Audit Committee in monitoring any associated recommendations;
- Governance risks and how these would be monitored.

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

41.22 DATE AND TIME OF NEXT MEETING

Tuesday 15 November 2022 at 0930 hrs.

Governors to note the start time had been changed to 0930 hrs for next academic year.

The meeting ended at 1030 hrs.

How Governors challenged management			Impact of meeting on College
37.22	Questioned external audit assumptions about pension liabilities and how these would be reviewed.	36.22	Recommended Strategy for Internal Audit and associated fee for Corporation approval.
		37.22	Recommended External Audit Plan and associated fee for Corporation approval.