

**WALSALL COLLEGE MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD ON TUESDAY 15 NOVEMBER 2022 AT 0930 HRS  
VENUE: A339 (BOARDROOM, WISEMORE CAMPUS)**

**Attendance Present:** Attendees  
Graham Ward - Chair  
Charlotte Bosworth (on Teams)  
Nick Tomkys

**Together with:** Matthew Brown – Director of Finance & MIS  
Jacky Leek – Head of Finance  
Phil Brockhurst – Head of MIS  
Gurpreet Sandhu - Contracts & Compliance Manager  
Jat Sharma - Principal & Chief Executive  
Chris Evans (Item 11.23) - Head of IT and Business Processes  
Louise Tweedie (from 0940 hrs) - RSM  
Mark Dawson - KPMG  
Ming Guo - KPMG  
Alison Buick – Head of Governance

**Apologies:** Julie Haywood

Item	Subject	Who
01.23	<b>CHAIR'S OPENING REMARKS</b> The Chair welcomed everyone to the meeting and thanked them for their attendance. Introductions were made to all present.	
02.23	<b>APOLOGIES FOR ABSENCE</b> Julie Haywood.	
03.23	<b>DECLARATIONS OF INTEREST</b> None.	
04.23	<b>MINUTES</b> The minutes of the meeting held on 14 June 2022, having been circulated, were taken as read and were approved.	
05.23	<b>MATTERS ARISING</b> Governors reviewed the Action Points Record for the Audit Committee and noted the following:  <u>Item 12.21</u> Access to the 4Risk system had been given to the Chair of the Audit Committee and Chair of Corporation. A further roll out to other Governors would be considered.  <u>Item 23.22</u> The procedures for student and commercial debt had been updated as agreed.  <u>Item 26.22</u> The audit tender would be discussed later in the meeting.	

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	<u>Item 34.22</u> RSM were not present to update on this item.	
	<u>Item 35.22.1</u> The internal audit reports were on the agenda.	
	<u>Item 35.22.2</u> The cyber security presentation had been circulated as agreed.	
	<u>Item 38.22</u> The funding assurance audit work was on the agenda.	
	<u>Item 39.22</u> Risk appetite had been a topic at the Governor Training event in October 2022.	

**06.23 FUNDING ASSURANCE AUDIT REPORT**  
The Director of Finance & MIS gave an update on the funding assurance work carried out by KPMG that had been commissioned by the college and also the work currently in progress with PWC, commissioned as part of the ESFA's annual funding audit work. The college had been selected at random for this.

The scope of the KPMG work was outlined. There were two medium priority recommendations in relation to the controls work, and these had been agreed with management. The substantive testing had focused on AEB subcontracted work and there were three high priority recommendations arising from this. The recommendations were rated as high priority if they had a potential funding implication.

Questions and comments were invited.

(Louise Tweedie arrived at 0940 hrs)

There was a discussion about the agreed actions, the completion date for some of which had already passed. The Head of MIS commented on the implementation of a new system for online enrolment. Some of the longer action dates were to allow for this implementation to be completed. Several of the actions were contingent on other actions so there were interdependencies.

The Chair noted that the table in page 6 of KPMG's report seemed unclear in respect of the total number of actions. The Director of Finance & MIS would clarify this.

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

Director of Finance & MIS

**07.23 SUB CONTRACTOR CONTROLS ASSURANCE REPORT**  
The Director of Finance & MIS confirmed that KPMG had completed the work as this was a funding requirement.

There were two recommendations made and agreed with management. Management agreed that the recommendations were valid but noted some practical issues with the timing of the signing of contracts. The college would not enter into contracts until the funding had been agreed, but for practical

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	<p>reasons subcontractors occasionally started learners before this. There was an audit trail to demonstrate actions taken so the risk was felt to be small and only affected two learners.</p> <p>The subcontracting partnerships in place were long standing and well established.</p> <p>It was <b>resolved</b> that the Sub Contractor Controls Assurance Report was <b>received and accepted</b>.</p>	
08.23	<p><b>COLLEGE FINANCIAL STATEMENTS</b></p> <p>The Director of Finance &amp; MIS gave a brief introduction. 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.</p> <p>Governors would need to consider carefully the going concern status of the college, and be confident of this, before approving the accounts.</p> <p>The report cover sheet showed a reconciliation between the management accounts position reported at 31 July 2022 and the statutory accounts figure. The final statutory accounts figure, after adjustments for FRS102, was a surplus of £30.1m. This was largely accounted for the FRS17 actuarial gain.</p> <p>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, which was normal at this point in the audit process. The work of PWC on the ESFA's funding audit was noted. KPMG would need to take note of this before their final sign off. However, the timing was tight with the Corporation meeting to approve the accounts being on 24 November, and it was not felt likely that the PWC work would be complete by then.</p> <p>There was a discussion about the audit work on the three significant audit risks as identified at the planning stage. More time than usual had been spent on the pensions figures but this was a sector issue and not unique to Walsall.</p> <p>The Director of Finance &amp; MIS commented on the work of the actuaries and KPMG on pensions. The pension fund actuaries had not taken full account of inflation and interest rate rises so an updated actuarial report had been needed by KPMG.</p> <p>Pensions risks were discussed. The triennial LGPS valuation was due next year. This would be discussed at a future Finance and Resources Committee but it was expected that the costs would increase. Inflation and interest rates would affect the new valuation. This was another sector issue and not unique to Walsall College.</p> <p>Mark Dawson made some final comments on the audit work, including that there had been no adjustments to the figures and that there had been one minor control issue noted in respect of credit notes.</p>	

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	<p>Questions and comments were invited.</p> <p>The Principal and Committee Chair expressed thanks to the Head of Finance and the Finance team for the work to complete the accounts preparation and the smooth completion of the audit.</p> <p>The Director of Finance &amp; MIS explained the reconciliation from the July 2022 management accounts to the statutory accounts figure, as set out in the report cover sheet. Governors noted the FRS17 pension adjustment, the Lenartz VAT reclaim and the capital grant release, which related to T Level funding.</p> <p>There was a discussion about the funding audit currently in progress and the possible impact of this on the timing of the accounts approval. PWC were not expected to provide their initial view until after the date of the Corporation meeting. There would be an update to the Finance and Resources Committee on 22 November. As the signed accounts needed to be submitted to ESFA by 31 December, it would be possible to hold a further Corporation meeting for approval before the end of term if needed.</p> <p>Mark Dawson confirmed that KPMG would expect to see the funding audit outcome before signing the accounts. However, Corporation could agree a Chair's Action for the accounts to be signed subject to the KPMG view, given that there was currently no perceived significant risk of a clawback resulting from the funding audit. KPMG would attend the Corporation meeting to comment on the accounts.</p> <p>Governors asked about the general financial challenges that KPMG were seeing in the FE sector. Mark Dawson confirmed that there was a mixed picture and variability in financial outcomes. Colleges continued to face funding and pay/non-pay cost pressures, which some were better placed to deal with than others. Governors agreed the need to continue to monitor costs of delivery.</p> <p>Governors were also asked to note:</p> <ul style="list-style-type: none"> <li>• The Regularity Audit Self-Assessment Questionnaire;</li> <li>• The Letter of Representation;</li> <li>• Broadway Training Ltd accounts; and</li> <li>• The Student Union accounts.</li> </ul> <p>It was <b>resolved</b> that the College accounts, Regularity Audit Self-Assessment Questionnaire, KPMG's Year-End Report, Student Union accounts and Broadway Training Limited accounts were all <b>received</b>.</p>	
09.23	<p><b>FRAUD RESPONSE PLAN</b></p> <p>The Head of Finance presented her report. The policy required the Fraud Response Plan to be reviewed annually or when enacted.</p> <p>It was reported that an issue had been identified in September 2022, which had initially been treated as potential fraud. Investigation by the Head of Finance had established that it was not, so it was dealt with through HR processes instead. However, it did lead to some changes to the Fraud</p>	

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	<p>Response Plan. The changes made were noted, as set out in the written report.</p> <p>It was also confirmed that the fraud self-assessment had been completed. The three actions identified in 2021 had all been completed and a further three actions had been identified for this year.</p> <p>The Chair asked how the actions would be tracked. The Head of Finance confirmed that she was the college’s anti-fraud champion and an accredited Counter Fraud Specialist. She would monitor and report annually to this committee.</p> <p>Governors noted that the Fraud Policy was unchanged and next due for review in 2024. The points at which the committee would be informed of potential frauds were explained.</p> <p>Governors <b>resolved</b> to <b>approve</b> the Fraud Response Plan.</p>	
10.23	<p><b>AUDIT RECOMMENDATION TRACKING REPORT</b></p> <p>The Director of Finance &amp; 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. Responsible managers had been asked to provide updates for their areas, which were incorporated in the attached report. In total there were 40 recommendations, of which none were overdue and six were in progress. 32 had been completed, none were superseded and two were not yet due.</p> <p>There had generally been good progress in closing down recommendations since the last meeting. RSM would again carry out follow up work later in the year. Changes to the internal management of action tracking had been made, including information being available to managers on SharePoint and diarising of time for managers to provide updates.</p> <p>The Chair asked about the implementation of one of the HR and Payroll recommendations. The Director of Finance &amp; MIS responded that it had been actioned in a different way to that originally agreed and that RSM’s view on this was awaited.</p> <p>Governors were happy with the level of detail in the report and the progress made.</p> <p>It was <b>resolved</b> that the Audit Recommendation Tracking Report was <b>received</b>.</p>	
11.23	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>Louise Tweedie, RSM Partner, presented the reports.</p> <p><u>05.21/22 Data Protection</u></p> <p>The scope of the audit was a post-implementation review to consider the processes and procedures in place in relation to the General Data Protection Regulation (GDPR) and the Data Protection Act 2018, which both came into force in May 2018.</p>	

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	<p>The following areas were considered as part of the review:</p> <ul style="list-style-type: none"> <li>• Business processes and data discovery;</li> <li>• Third parties;</li> <li>• Data ownership;</li> <li>• Data security system level controls;</li> <li>• Data storage and retention;</li> <li>• Awareness;</li> <li>• Data policy, roles and responsibilities;</li> <li>• Individuals' rights;</li> <li>• Consent;</li> <li>• Data breaches.</li> </ul> <p>As this was an advisory review, no overall conclusion has been provided. There were five recommendations made and agreed with management.</p> <p>The last audit of this area had been in 2017/18. The outcome was deemed to be good in comparison to other colleges</p> <p><u>04.21/22 Capital Projects</u></p> <p>The scope of the audit was to review controls in place to manage Capital Projects to ensure the successful delivery overall and appropriate management of College's funds.</p> <p>The following areas were considered as part of the review:</p> <ul style="list-style-type: none"> <li>• the overarching controls for the College's estate and accommodation strategy, including how curriculum areas engage with assessing current and future space and resource requirements based on direction of travel for the sector in regards to wider trends (hybrid/blended, environmental/climate, employability and Government priorities). It will also include how, insofar as it is possible, future-proofing is built into capital expenditure decisions, for example keeping space as flexible as possible.</li> <li>• For Green Lane specifically, there was consideration of the processes for business case, procurement for the main contractor, contracts with the contractor and project manager, contract variations/value engineering, project oversight including risk management, payments and reporting to the Board (in so far as project progress allowed).</li> </ul> <p>The overall conclusion gave reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.</p> <p>One medium priority recommendation was discussed with management.</p> <p>Governors discussed the recommendation and agreed that for the future there was a role for them as well as managers to ensure an appropriate level of challenge and debate on the business cases for projects, even where included within a property strategy. It was a helpful recommendation and reminder to provide challenge.</p> <p><u>06.21/22 IT – Cyber Security</u></p> <p>The scope of the audit was to assess the design of the key cyber security controls in place and test the operating effectiveness of selected key controls.</p>	

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The following areas were considered as part of the review:

Engagement and training

- User (both staff and students) education and awareness in respect of cyber risk;
- Phishing and whaling prevention.

Patch management

- Software update strategy to all managed devices (e.g., PCs, server, storage, network devices);
- Vulnerability management procedures, including prioritization of critical vulnerability remediation.

Anti-malware

- Use and upkeep of anti-malware software;
- Use of email and file scanning;
- Restrictions on use of removable media;
- Website filtering.

Identity and access management

- Definition or policy of identity and access management;
- Authorisation model and procedures (e.g. account creation, deletion and amendment);
- Authentication for end user accounts, including password policy;
- Restrictions to privileged accounts (e.g., administrative accounts);
- Monitoring of account usage and accesses;
- Rules around known third party access to internal network (if any).

Firewall management

- Access control;
- Addition, deletion or amendment of firewall rules.

Security event logging and follow up

- The monitoring, alerting and reporting processes in respect of incidents and near misses (including successful and unsuccessful attempts to access data);
- Log retention policy and procedures;
- Incident management and reporting process, as well as lessons learnt.

The overall conclusion gave partial assurance that the controls upon which the organisation relies to manage this area are suitably designed.

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

It was explained that the area reviewed was inherently risky and subject to constantly changing external threats that meant that the control environment needed to be regularly updated. RSM had provided some contextual information to further explain their work. The assurance level was inline with other similar audits completed by RSM.

A Governor asked about penetration testing undertaken and the Head of IT and Business Processes confirmed that this was an annual activity. No major issues had been found in the most recent testing.

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	<p>Governors noted that the risk appetite/tolerance level in this area had been discussed at a recent training event.</p> <p>Overall, management felt that the report was a fair reflection of the threat level faced in the area. The IT team was small, so controls did rely on a number of key individuals. Controls and changes were prioritised, with documentation completed when possible. There was cyber security insurance in place.</p> <p>Governors recognised the ever-changing nature of threats in this area, as well as the need for management to make choices about allocation of resources to this and other areas. It was acknowledged that the report was useful.</p> <p>(Nick Tomkys left at 1100 hrs).</p> <p><u>Internal Audit Annual Report 2021/22</u>  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 and internal control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective’.</p> <p>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, and was consistent with conclusions in previous years.</p> <p>The Chair noted that Walsall was within line with the general FE sector and congratulated management on an excellent report. The Director of Finance &amp; MIS felt that the value from the internal audit work continued to be good. Challenge was provided where needed and there was a useful range of benchmarking data and reports provided.</p> <p>It was <b>agreed to recommend</b> the approval of the Internal Audit Annual Report to Corporation in November.</p> <p><u>Internal Audit Progress Report</u>  This was RSM’s usual report to give members a reminder of when audits were scheduled in year. All work was planned for completion and reporting in year.</p> <p>Governors noted the client briefings and sector updates included in the report.</p> <p>It was <b>resolved</b> that the Internal Audit Progress Report was <b>received and accepted</b>.</p>	
12.23	<p><b>UPDATE ON BUSINESS CONTINUITY PLANS AND IT DISASTER RECOVERY PLAN</b></p> <p>The Director of Finance &amp; MIS reported that the college had commissioned Hettle Andrews, the insurance brokers, to look at this area a year ago.</p>	



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13.23	<p><b>ARRANGEMENTS FOR THE PREPARATION OF THE AUDIT COMMITTEE ANNUAL REPORT</b></p> <p>The Head of Governance 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.</p> <p>It was <b>agreed</b> 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 24 November 2022.</p>	Head of Governance
14.23	<p><b>TERMLY BOARD ASSURANCE AND RISK MANAGEMENT REPORT</b></p> <p>The Director of Finance &amp; MIS gave an update and the following were noted:</p> <ul style="list-style-type: none"> <li>• 4Risk was fully implemented and being used across the college this year;</li> <li>• The first meeting of the new Risk Board had taken place within the SMT meeting. The Board had fully reviewed all of the strategic risks and the outcomes of this were as recorded in the report cover sheet. The next Risk Board meeting would be reviewing the operational risks. In total the Board was planned to meet five times per year;</li> <li>• The Governors had received risk appetite training with RSM at the October Training Day;</li> <li>• A meeting had been held in September with the Committee Chair to review progress, which was deemed to be good;</li> <li>• The Committee Chair and Corporation Chair had been given access to view 4Risk, and consideration would be given to further roll out to Governors. Training would be provided.</li> </ul> <p>The Chair commented that the rollout of 4Risk appeared to be going well and confirmed that he would like to receive training to better understand the system.</p> <p>Governors <b>resolved</b> to <b>accept</b> the Termly Board Assurance and Risk Management Report.</p>	Contracts and Compliance Manager

Item	Subject	Who
15.23	<p><b>REVIEW OF COMMITTEE ANNUAL WORKPLAN 2022/23</b></p> <p>The Head of Governance 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.</p> <p>Governors <b>resolved</b> to <b>note</b> the Committee workplan.</p>	
16.23	<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>Tuesday 14 March 2023 at 0930 hrs.</p> <p>The meeting ended at 1125 hrs.</p>	

Item	How governors challenged management
09.23	Asked how actions in the fraud self-assessment plan would be tracked.

Item	Impact of meeting on college
09.23	Approved the Fraud Response Plan
11.23	Recommended Internal Audit Annual Report for Corporation approval.
15.23	Agreed Committee annual plan of business.