

SANDWELL COLLEGE

Minutes of a Meeting of the Audit Committee
held on Tuesday 5th July 2016,
in the Room 6F/11, at Central Campus,
commencing at 8.00 a.m.

Present:- Mr. A. Scott (Independent) (in the Chair)
Mrs. R. Jenkins-Crutchley (Independent)
Mr. T. Mahmood (Independent)

In Attendance:-

Miss J. Berry Corporation Secretary
Mr. G. Pennington Principal and Chief Executive (part of meeting)
Mr. D. Hawkins Executive Director for Finance and Resources
Mrs. R. Pal Director for Funding, Information Services and Exams (part of meeting)
Mrs. L. Tweedie RSM – Internal Audit Service (part of meeting)
Mr. S. Turner Grant Thornton – Financial Statements Auditors (part of meeting)

U16.14 Declarations of Interest U16.14

There were no declarations of interest.

U16.15 Apologies U16.15

Apologies were received from Mr. Britton.

U16.16 Minutes of the Meeting of the Audit Committee held on Tuesday 15th March 2016 U16.16

The minutes of the meeting of the Audit Committee held on Tuesday 15th March 2016 were approved and signed by the Chairman.

RESOLVED: that the minutes be approved.

U16.17 Matters Arising U16.17

i) Additional Audit Assignment – Subcontracting Controls (Vide Minute U16.06)

The Chairman reminded members that a report would be submitted to the next meeting of the Committee updating members on the implementation of recommendations arising from the Subcontracting Controls report.

ii) Risk Register Report (Vide Minute U16.09)

The Chairman reminded members that the Committee had requested that College managers reconsider the Risk Register in relation to learners' behaviour and the Prevent Duty. The Committee would review this under agenda item 11(i).

U16.18 Audit Committee – Membership U16.18

Members noted that Mrs. Brook had resigned from the Board of Governors with effect from 9th May 2016. As a result, the Search Committee had recommended to the Board that Mr. Uddin be appointed to serve as a member of the Audit Committee with effect from 1st August 2016. This recommendation would be considered by the Board of Governors at its meeting on Monday 18th July 2016.

RESOLVED: that the membership of the Audit Committee be noted.

U16.19 Internal Audit Reports 2015/16

U16.19

The Chairman asked that members consider agenda item 6(ii) prior to item 6(i).

i) Key Financial Controls

The internal auditor presented a report detailing the outcome of a review of key financial controls. The review had resulted in 'substantial' assurance, with one medium and three low priority recommendations, which were outlined to members. The Executive Director for Finance and Resources informed members that all of the recommendations had been implemented immediately following the review.

In response to a query, the Executive Director for Finance and Resources informed members of the card payment system used by students, which resulted in levels of cash being quite small, relating mainly to catering and occasionally tuition fees.

In response to a further query, members were reminded of the College's Treasury Management Policy and the current levels and types of financial investments.

RESOLVED: that the report be received.

ii) Learner Number Systems

The internal auditor presented a report detailing the outcome of a review of the learner numbers system and reminded members that this review was undertaken on an annual basis. The review had resulted in 'substantial' assurance, with four low priority recommendations, which were outlined to members.

The Principal joined the meeting.

In response to a query, members were informed of the steps taken by the College to ensure that the identity of learners was confirmed and evidenced.

The Chairman welcomed the outcome of the report and emphasised the importance of an effective learner numbers system because of the potential impact on funding.

RESOLVED: that the report be received.

The Director for Funding, Information Services and Exams left the meeting.

Discussions then reverted to agenda item 6(i).

iii) Follow-Up

The internal auditor presented a report detailing the outcome of a 'follow-up' review of internal audit recommendations. The review had found that adequate progress had been made in implementing the recommendations.

In response to a query, the Executive Director for Finance and Resources explained the reasons that a number of recommendations had not yet been implemented.

In response to a further query, members were informed of ways in which staff appraisals were undertaken. It was noted that there was a weekly on-going programme of continuous professional development for academic staff.

The Executive Director informed members that during the 'follow up' review some lesser recommendations had arisen following the implementation of original recommendations.

RESOLVED: that the report be received.

U16.20 Internal Audit Progress Report 2015/16

U16.20

The internal auditor presented a report detailing progress against the Internal Audit Plan 2015/16. All internal audit reviews had been completed and all reports had been submitted to the Audit Committee.

The internal auditor referred members to the appendix to the report relating to 'emerging issues in further education colleges 2016', particularly with regard to the FE Commissioner's Annual Report 2014/15 and his top five areas for improvement relating to aspects of governance. The Chairman commented that this gave an interesting view of issues to look out for. The Executive Director for Finance and Resources commented that the College had focussed on the items detailed under 'financial health'.

In response to a query, the internal auditor confirmed that there had been no changes to the internal audit plan during the year.

RESOLVED: that the report be received.

U16.21 Internal Audit Strategy/Plans 2016/17

U16.21

The internal auditor presented a draft Internal Audit Plan for 2016/17, which had been prepared following discussions with the Executive Director for Finance and Resources, who had gained the views of the Senior Leadership Team.

The Chairman referred members to the requirements of the Audit Committee as detailed on page 4 of the report.

A discussion took place regarding the planned reviews of 'admissions' and 'attendance' and the number of audit days allocated to these reviews. A number of views were expressed and it was concluded that the number of audit days for each of these reviews should be reduced to four. This would leave a contingency of five days for matters that might arise during the year.

The Principal reminded members of the quality assurance reviews that were undertaken by FE Associates; the summary of these reports would be submitted to the Audit Committee. Following a further discussion the internal auditor agreed to ensure that the internal audit service did not duplicate work that had been undertaken by FE Associates.

With regard to the review of key financial controls, members were informed that the College would be implementing a new financial system in the coming months and the review would consider the controls relating to that system.

The internal auditor commented that the three year internal audit strategy would be kept under review for any new risks that were identified, including the impact of Brexit, or changes in risk profiles.

In response to a query, members were reminded of the ways in which proposed internal audit reviews were identified.

RESOLVED:

- a) that the proposed internal audit days for the reviews of 'admissions' and 'attendance' be reduced to four.
- b) that the Internal Audit Plan 2016/17 include a contingency of five days for matters that might arise during the year.

- c) **that, subject to the above amendments, the Internal Audit Plan 2016/17 based on 35 audit days (including five contingency days) be recommended to the Board of Governors for approval.**
- d) that the internal auditor ensure that the internal audit service did not duplicate work undertaken by FE Associates.
- e) that the report be received.

U16.22 Financial Statements Audit Plan 2015/16

U16.22

The financial statements auditor presented the audit plan for the financial year-end audit 2015/16 and outlined Grant Thornton's understanding of the College's financial position, the risk based audit approach, the impact of key changes on the College, the reporting requirements of FRS 102, key risks, areas of audit focus, the approach to the regularity audit, together with the timeline for the audit.

A discussion took place regarding the proposed audit fee of £22,180.00 exclusive of VAT. Members noted that this fee might increase by up to £2,000 depending on the amount of additional work required in relation to FRS 102. The Financial Statements Auditor did not expect the level of additional work to be significant.

RESOLVED:

- a) that the Financial Statements Audit Plan 2015/16 be approved.
- b) **that the Board of Governors be reminded that with effect from 2015/16 the College was required to report under FRS 102.**
- c) **that the Audit Committee recommend to the Board of Governors a financial statements audit fee for 2015/16 of £22,180 exclusive of VAT, subject to a potential increase of up to £2,000 for additional work required in relation to FRS 102.**
- d) that the report be received.

U16.23 Regularity Audit Self-Assessment Questionnaire 2015/16

U16.23

The Executive Director for Finance and Resources presented the Regularity Assurance Self-Assessment Questionnaire 2015/16 and informed members that only very minor amendments had been made compared to 2014/15. It was noted that the Questionnaire would be signed by the Chairman of the Board of Governors and the Principal, as Accounting Officer, prior to the commencement of the Audit.

RESOLVED: **that the Board of Governors be asked to note that the Audit Committee had considered the Regularity Assurance Self-Assessment Questionnaire 2015/16.**

U16.24 Risk Management

U16.24

i) Risk Register Report

The Executive Director for Finance and Resources presented the Risk Register Report, which had been updated for 2016/17.

Members were asked to note the additional mitigating actions that had been included in relation to safeguarding and the Prevent duty.

A member suggested that it might be appropriate to include within the Risk Register the effective implementation of the outcome and findings of the Black Country Area Based Review. The Principal agreed that this would be considered once the outcome of the Review had been confirmed.

RESOLVED:

- a) **that the Risk Register be recommended to the Board of Governors for approval.**
- b) that consideration be given to including the effective implementation of the outcome and findings of the Black Country Area Based Review within the Risk Register, once the outcome of the Review had been confirmed.
- c) that the report be received.
- ii) Risk Assurance Framework

The Executive Director for Finance and Resources presented the revised Risk Assurance Framework and outlined the amendments that had been made.

RESOLVED: that the Risk Assurance Framework be received.

- iii) Risk Management Policy

The Executive Director for Finance and Resources presented the Risk Management Policy. Members noted that the Policy had been reviewed and no amendments were being recommended.

RESOLVED:

- a) **that the Board of Governors be asked to note that the Audit Committee had reviewed the Risk Management Policy and no amendments were being recommended.**
- b) that the report be received.

U16.25 Any Other Business

U16.25

- 1. Joint Audit Code of Practice

The Corporation Secretary informed members that the Skills Funding Agency had recently issued a revised Joint Audit Code of Practice, which included minor editorial changes and clarifications. A copy of the revised Code would be circulated to members.

RESOLVED: that the Corporation Secretary circulate a copy of the revised Joint Audit Code of Practice to members of the Audit Committee.

- 2. Insolvency Proposals for Further Education and Sixth Form Colleges

The Principal informed members of a presentation he and the Chairman of the Board of Governors had attended at which pre-consultation proposals had been outlined regarding Insolvency Proposals for Further Education and Sixth Form Colleges, which were being considered by the Department for Business, Innovation and Skills and the Department for Education. It was suggested that once the proposals were published for consultation they should be considered by the Board of Governors and/or the Audit Committee as there might be implications for members of the Board.

The internal auditor informed members that one of her colleagues was considering the implications of the pre-consultation proposals and might be able to provide a briefing to the College.

RESOLVED: that the verbal report be received.

The auditors left the meeting.

U16.26 (NFP) Review Appointment of IAS and Performance Indicators 2016/17 U16.26 (NFP)
NOT FOR PUBLICATION

U16.27 Audit Committee – Review of Effectiveness and Terms of Reference U16.27

The Committee received a report reminding members that the Board of Governors had agreed that each of its committees should undertake an annual review of its own performance and its terms of reference.

The Committee considered and completed a self-assessment checklist. The Committee agreed that on a scale of 1-4 where 1 was "outstanding" and 4 was "inadequate"; the Committee should be graded 1, "outstanding".

Members were reminded that the Committee's terms of reference were in line with the Joint Audit Code of Practice. Members agreed that no further amendments were required to the terms of reference.

RESOLVED:

- a) that the Audit Committee, having completed a self-assessment checklist of its own performance, considers that the Committee should be graded 1, "outstanding"
- b) that, having reviewed the Committee's terms of reference, no amendments were recommended
- c) that the report be received.

U16.28 Determination of Confidential Items U16.28

The Audit Committee agreed that discussions relating to agenda item 13 should be minuted confidentially.

RESOLVED: that discussions relating to agenda item 13 be minuted confidentially.

U16.29 Date of Next Meeting U16.29

The next meeting was planned to take place on Tuesday 29th November 2016, commencing at 8.00 a.m., at Central Campus.

The meeting terminated at 9.55 a.m.