

SANDWELL COLLEGE

Minutes of the Audit Committee meeting held on
Tuesday 18 June 2019 at 8.00am

Present: G Bassi Independent
 J Britton Co-opted
 R Jenkins Independent

Apologies: G Pennington Principal

In attendance: J Bailey Exec Director, Finance and Corporate Resources
 B Devitt Grant Thornton
 N Grace Independent Governor
 D Holden Vice Principal
 H Lillington Grant Thornton
 E Scotford Clerk to the Corporation
 L Tweedie RSM

		Action
U19.12	<u>Welcome and Apologies</u>	
	All present were welcomed to the meeting and introductions were made. Apologies were received from Graham Pennington. David Holden, Vice Principal was in attendance.	
	RESOLVED THAT: apologies be accepted	
	On the resignation of Mr Britton as an Independent Governor, a new Chair was to be appointed to the Committee who would be in place by the date of the next meeting. It was proposed that Mr Britton chair this meeting to provide continuity.	
	RESOLVED THAT: Mr Britton chair the meeting.	
U19.13	<u>Declarations of Interest</u>	
	JB declared an interest in any references to payroll services as the Chief Executive of Sandwell MBC and to the pension fund as a Board member of the West Midlands Pension Fund (WMPF).	
U19.14	<u>Minutes of the previous meeting held on 19 March 2019</u>	
	The minutes were agreed as a true and accurate record and were signed by the Committee Chair.	
	RESOLVED THAT: the minutes be approved.	
U19.15	<u>Matters Arising</u>	
15.1	Point 19.5.3 – circulation of the appendix on data security and IT protection – actioned.	
15.2	Point 19.6.6 – identification of any pattern to the slight increase in injuries involving hand tools – DH advised that the next Health & Safety report would include reference to this point but confirmed in the meantime that no pattern had been found.	

15.3	Point 19.8.1 – follow-up on cyber security – actioned, see point 10.1.	
15.4	Point 19.8.2 – Roxana Pal to be asked to attend the next meeting – actioned.	
15.5	Point 19.8.5 – follow-up on outstanding items – actioned, see point 5.2.	
U19.16	Internal Audit Reports 2018/19 Presented by the internal auditor.	
16.1	Framework for Compliance with Legal Requirements: General Data Protection (GDPR) Governance Framework (2.18/19)	
16.1.1	GDPR regulations introduced in May 2018 require explicit consent for data to be gathered and retained. The College processes most data under a different legal basis rather than consent. The internal auditors therefore tested against the 12 areas in the Information Commissioner's Office guidance.	
16.1.2	Action identified mainly related to the undertaking of data mapping exercise to ensure that the College is aware of all data held, regardless of format. RP confirmed that data was kept to comply with various agencies so was mostly already in place.	
16.1.3	As in most colleges, the main 2 forms of data sets relate to staff and students, processes for which are in place. The processes and systems for retention of other data sets need to be checked carefully. Examples given by the IAS. The College's approach to data retention needs to be established and formalised. A Data Retention Policy also needs to be put in place and adhered to.	
16.1.4	Other outstanding areas relate to setting up policies and ensuring any existing policies reference GDPR rather than Data Protection.	
16.1.5	Acknowledging that this was a baseline audit, Governors asked if there were any other management actions to highlight. The IAS confirmed that much of the action required will be driven by the data mapping exercise.	
16.1.6	RP gave examples of some of the systems historically in place which already addressed areas highlighted, e.g. consent is always obtained for student images for marketing and is supported by evidence.	
16.1.7	RP accepted that a comprehensive asset register needed to be put in place as soon as possible and cross referenced to the data retention schedule. Consent processes which meet GDPR requirements are standard on college forms.	
16.1.8	Online staff training on GDPR is in place.	
16.1.9	Governors asked if the College was legally compliant in relation to GDPR. RP admitted she would feel reassured when the information asset register had been completed which was intended to be in place by early autumn.	
16.1.10	Governors recommended this area be reviewed again by the Committee in the autumn to receive assurance that the College was fully compliant with GDPR and be advised of any outstanding areas. The IAS reassured that an appropriate infrastructure was in place and policies and procedures were in place that met GDPR requirements.	

U19.16.2	Follow-up report (3.18/19)	
16.2.1	The report included a follow-up on IT cyber security; previous year's actions carried forward; recommendations from the High Needs Control Framework. Follow-up had revealed that of the 20 actions checked: 4 were complete; 5 had been superseded; 3 were in progress at the time of the audit with clear progress towards implementation; 8 actions had not been implemented but most were low priority actions.	
16.2.2	The main outstanding recommendation related to an ILT strategy for the merged college. Acknowledging that the IT department's workload post merger had been significant, nevertheless a structure needed to be put in place to avoid evolution of a disjointed approach to IT. The new date for completion was 30 September 2019.	
16.2.3	The College believed that all High Needs Control Framework areas had been actioned. The IAS explained that evidence was needed to give assurance of actions completed.	
16.2.4	The Financial Statements Auditors pointed out the significant global increase in the level of cyber security attacks.	
U19.16.3	Learner Number Systems (4.18/19)	
	The first draft has been issued for comment. The finalised version will be brought to the next meeting.	
U19.16.4	Progress report – June 2019	
16.4.1	The report outlined emerging issues in the sector. The main issue related to the February 2019 version of the Post-16 Audit Code of Practice and the necessity to put in place an enhanced counter-fraud strategy to prevent the occurrence of fraud. The requirement to have a strategy is backdated to August 2018. There is no major penalty at the present time. The IAS reassured that no college has such a strategy in place at the moment. Colleges are now required to have an anti-fraud champion.	
16.4.2	Governors thanked the internal auditor for the report which was a useful reference to upcoming issues.	
16.4.3	Governors were made aware that the ESFA will be focusing much more closely in future on a college's financial health by monitoring its cash position. This follows the setting up of the insolvency process by the government. This is not an issue for the College at this point in time.	
16.4.5	RESOLVED THAT: Governors received the Internal Audit reports.	
U19.17	<u>Internal Audit Strategy</u>	
17.1	The proposed Internal Audit Strategy for 2019/20 was presented. Areas included were: <ul style="list-style-type: none"> - compliance with legal requirements in health and safety and safeguarding; Prevent will be included in safeguarding. - HR including equality and diversity - Learner numbers - Core financial systems 	

	<ul style="list-style-type: none"> - Governance and risk management – including core governance controls, e.g. terms of reference; minutes; Governors skills assessment; Governors’ recruitment process; Governors declarations on appointment - Follow-up 	
17.2	The IAS pointed out they had agreed to hold their daily rate for 2 years as part of the tender process so the same daily rate would be included in the plan.	
17.3	Governors acknowledged the usefulness of the inclusion of a 3-year review as well as the 3-year forward plan.	
17.4	Governors asked if a review of cyber security would take place earlier than 2021 as currently indicated in the plan. The IAS pointed out that some actions needed to be put in place by September 2019 and would then need to become embedded. A follow-up on current actions would take place with a full re-audit of the area in 2021.	
17.5	The Exec Director, Finance & Resources, pointed out that practical testing has been of Roxana Pal’s areas and hence Internal Audit close meetings had been held with RP. The Internal Auditor agreed to invite the Executive Director, Finance & Resources, to future close meetings so that she can maintain an overview of audit matters to give assurance to the Audit Committee.	
17.6	It was pointed out that Cadbury timetabling was to be moved into next year. There were no other areas to add at this stage to take its place. Governors appreciated the Internal Auditors’ flexibility in incorporating changes.	
17.7	Governors asked that the method of cashflow forecasting and assumptions should be included in the core financial controls review, given the new insolvency regime.	
17.8	<p>The Financial Statements Auditors agreed to forward a copy of the final report from the recent college which went into insolvency to Governors, via the Clerk, for information.</p> <p>Governors asked that review of the report and lessons learnt be an agenda item for the next meeting to enable an awareness of the legislation and developments in the sector and the obligations on Governors. Clerk to note for agenda.</p>	<p>FSA</p> <p>Clerk</p>
17.9	RESOLVED THAT: Governors received the Internal Audit Strategy and would recommend its approval to the Board.	
U19.18	<u>Financial Statements Audit Plan</u>	
18.1	<p>The FSA explained their obligation to communicate with the Committee at this point in time. 2 opinions are given as part of the external audit:</p> <ul style="list-style-type: none"> - Financial statement - Regularity opinion 	
18.2	The 2 pieces of work focus on how the College uses its funds and if they are used for the intended purpose.	
18.3	The plan sets out the broad approach. One significant difference this year is the Cadbury merger and implications for financial statements to July 2019.	

18.4	The FSA work focuses on key risks – any area can be selected for focus, even if there is no risk of materiality in the accounts. Any transaction in the College can be subject to random sampling.	
18.5	<p>The Cadbury merger would also be an area of focus, particularly how the opening balances were brought over and incorporated into the College's financial system. The FSA's approach was explained, including that some preliminary work had been done on the opening balances at the audit planning visit.</p> <p>Governors asked if the FSA's initial work on this area had identified any additional liabilities or was the focus on the audit trail. The FSA explained the approach was mainly mapping of acquired balances but greater clarity of the process used by the College was needed.</p> <p>Governors sought assurance that the mapping of the Cadbury acquisition did not presume a 'black hole' somewhere. The FSA confirmed that this was a desk based piece of work to ensure numbers had come across and had been counted in the accounts as appropriate.</p>	
18.6	Referring to the results of the audit, Governors asked if this triggered a need to report to any external bodies. The FSA expected all outstanding areas to be resolved before the final audit. The FSA explained that the areas were not particularly a significant risk but did warrant extra attention and review, e.g. going concern disclosures and management assertions.	
18.7	LGPS disclosures will be important to follow given the impact of the McCloud judgement. The McCloud judgement was explained – this could increase liabilities for those contributing to LGPS. This is an emerging issue on which the FSA will keep Governors updated. The Exec Director, Finance & Resources, advised that the College was meeting with its actuaries in early July for the triennial review so would give an update at the next meeting.	Exec Dir, F&R
18.8	Governors asked if the College still admitted new members, e.g. new teaching staff. The College confirmed it did because as an admitted body it had an obligation to do so.	
18.9	The FSA explained the approach to the admittance to non-teaching staff's pension scheme taken by a small number of colleges who had formed subsidiary companies operating a non-LGPS pension scheme. An explanation was given of the subsequent problems and legal challenges this had created which had complicated rather than eased the issue.	
18.10	The Exec Director, Finance & Resources, was satisfied with the planned approach and focus of the FSA.	
18.11	<p>The FSA pointed out that a small piece of due diligence work for the proposed Creative Alliance acquisition was being carried out by Grant Thornton. The FSA gave assurance that their independence was not affected by this work. It was being carried out by a completely separate team and appropriate safeguards were in place.</p> <p>The Exec Director, Finance & Resources, confirmed that the due diligence work is now complete. Should the merger acquisition continue it will not complete before 31 July 2019 therefore it will not affect the current year financial statements audit.</p>	
18.12	RESOLVED THAT: Governors received the Financial Statements Audit Plan.	

U19.19	<u>Regularity Audit Self-Assessment Questionnaire 2018/19</u>	
19.1	The Exec Director, Finance & Resources, explained this was an ESFA document which all colleges were required to complete. This year's version was much the same as the previous one with the main change being the inclusion of questions related to fraud prevention.	
19.2	This was the draft version which would now be reviewed by the FSA who would advise on any areas needing further explanation or evidence. The FSA confirmed they would look at the evidence to support the Corporation's response.	
19.3	The Regularity Audit is critical to the audit and has to be signed off by the Principal and Chair before the audit report can be signed off.	
19.4	RESOLVED THAT: Governors considered and noted the Regularity Audit Self-Assessment Questionnaire 2018/19.	
U19.20	<u>Register of Outstanding Internal Audit Recommendations</u>	
	Governors reviewed the Register and approved a number of items to be removed due to their subsequent resolution or supersession, noting that the IAS follow-up report was the most up to date document.	
	The Exec Director, Finance & Resources, updated the Register to this effect in the meeting.	
U19.20.1	IT Cyber Security Framework	
20.1.1	1.1 - ILT Strategy Plan to be in place – RP confirmed this was underway. To remain as a recommendation for follow up.	
20.1.2	1.2 – IT Security Policy – RP confirmed this had been actioned and policies had been created for SLT approval. To be closed off at the next meeting.	
20.1.3	1.17 – the College will subscribe to the government's Cyber Essentials scheme and ensure it addresses all identified weaknesses which arise from the exercise – RP advised this remains work in process.	
20.1.4	1.18 – staff training will be delivered to maintain and raise awareness of cyber security – RP confirmed this has now been actioned. To be removed from the Register.	
20.1.5	1.20 – information asset register to be prepared – superseded by GDPR audit – to be removed from the Register.	
U19.20.2	Apprenticeships L2	
20.2.1	4 – the College will ensure that in future prices are negotiated and supporting documentation is maintained to support the negotiated price charged to employers – outstanding, to be retained on the Register.	
20.2.2	6 – the evidence pack must contain details of how the 20% off-the-job training will be quantified and delivered – outstanding, to be retained on the Register.	

20.2.3	7 – the College will ensure that a written agreement (contract) is in place between the College and the employer (for levy and non-levy paying employers) which fulfils the minimum requirements of the funding rules – actioned, contracts are in place – to be closed off at the next Audit Committee meeting.	
20.2.4	10 – the employer co-investment recorded on the ILR is evidenced by a transfer of funding visible in the provider’s (or subcontractor’s) financial systems – work in progress, to be retained on the Register.	
U19.20.3	Follow-up – learner number systems high level control testing	
20.3.1	4.4 – best endeavours should be employed to ensure that at least 2 references have been received prior to the individual commencing employment with the College – processes are now in place – to be removed from the Register.	
20.3.2	4.5 – data cleansing exercise to be undertaken – superseded by GDPR audit – to be removed from the Register.	
20.3.3	4.6 – the College will undertake periodic data audits to establish the levels of compliance with data protection and document retention requirements across the College - superseded by GDPR audit – to be removed from the Register.	
20.3.4	4.7 – staff utilisation to be reported via an appropriate KPI within the Management Accounts pack – work in progress, to be retained on the Register.	
20.3.5	4.10 – all staff who are eligible will have an appraisal – work in progress, to be closed at the next meeting.	
U19.20.4	Sub-contracting controls report	
20.4.1	No longer applicable as the College has no sub-contracting arrangements. All items to be removed from the Register.	
20.4.2	RESOLVED THAT: <ul style="list-style-type: none"> • Governors received and noted the Register of Outstanding Internal Audit Recommendations. • Future versions of the Register would identify those items actioned, and those recommended for closure and removal from the Register following Governors’ approval of removal. 	
U19.21	<u>Risk Management</u> Presented by the Exec Director, Finance & Resources.	
U19.21.1	Risk Management Report	
21.1.1	The Exec Director, Finance & Resources, advised that the College and Cadbury risk registers would be merged for the next meeting as the requirement for a separate Cadbury register had now expired following the successful merger.	
21.1.2	The College risk management report is a live document which receives input by SLT and other staff. Key points were highlighted:	

21.1.3	<p>Brexit – the management team is monitoring demographic data, in particular vulnerabilities amongst staff cohorts.</p> <p>Brexit may have an impact on the College as the composition of the student body contains hundreds of students with an Eastern European background studying a variety of subjects whose families are considering moving back to their country of origin.</p>	
21.1.4	Governors asked if the College was putting any measures in place suggested by the government to mitigate the Brexit impact. The College advised that it was very difficult to understand the recommendations in place at present which were general rather than specific and were ever-changing.	
21.1.5	Internal/external communications – Head of Marketing now in place, with good work underway including internal communications.	
21.1.6	<p>IT – areas of risk regarding how back-ups are completed were highlighted.</p> <p>Cyber security risk to be included.</p>	JB
21.1.7	The Vice Principal advised that the LQCC receives and reviews in detail its own version of the Risk Register encompassing curriculum, quality and equalities and diversity.	
21.1.8	Separate section on HE included in the risk register. The College confirmed it had now been awarded OfS registration. Numerous mitigating actions have to be put in place. This applies to colleges and universities and all are finding it onerous and challenging.	
21.1.9	As well as the OfS registration, the College is considering running HE work through a partnership with the University of Wolverhampton therefore a risk has been included relating to that relationship.	
21.1.10	Referring to the Finance and Resources section, Governors were advised by the College that discussions were underway with the LGPS regarding the increase in TPS pension contributions. Funding will be received for 2019/20.	
21.1.11 NFP		
21.1.12	Governors suggested that GDPR be included on the risk register.	
21.1.13	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> • Governors received and noted the Risk Management Report. • Cyber security risk would be added to the Risk Register. 	
U19.21.2	Risk management – Cadbury merger	
21.2.1	Recruitment levels for next year are good and will drive much of the College growth next year.	
21.2.2	The College is looking to invest in the Cadbury building.	
21.2.3	Cadbury staff are now on the same IT system as Sandwell staff.	
21.2.4	After receiving the update on the Cadbury risk register, Governors confirmed they were comfortable that this be combined into a single risk register for the College.	

21.2.5	RESOLVED THAT: Governors received and noted the Risk Management Report on the Cadbury merger.	
U19.21.3	Risk Management Policy	
21.3.1	There were no changes recommended to the policy.	
21.3.2	RESOLVED THAT: Governors noted and approved the policy.	
U19.22	<u>Any Other Business</u>	
	There was no other business.	
	IAS, FSA and RP left the meeting	
U19.23	<u>Internal Auditors – Performance Indicators 2019/20</u>	
	RESOLVED THAT: Governors approved the internal auditors' performance indicators for 2019/20.	
U19.24	<u>Committee Terms of Reference</u>	
	RESOLVED THAT: Governors approved the Committee terms of reference.	
U19.25	<u>Determination of confidential items</u>	
	<ul style="list-style-type: none"> Minute no. U19.21.1.11 	
U19.26	<u>Date and time of next meeting</u>	
	Tuesday 26 November 2019, 8.00am	

The meeting ended at 9.50am