

**SANDWELL COLLEGE**

**Minutes of the Audit Committee meeting held on  
Tuesday 26 November 2019 at 8.00am**

Present:                    N Grace                    Independent Governor (Chair)  
                                  G Bassi                    Independent Governor  
                                  J Tew                        Independent Governor

In attendance:         J Bailey                    Exec Director, Finance and Corporate Resources  
                                  B Devitt                   Grant Thornton  
                                  H Lillington             Grant Thornton  
                                  G Pennington          Principal  
                                  E Scotford                Clerk to the Corporation  
                                  L Goodwin                RSM

		<b>Action</b>
U.19.27	<b><u>Declarations of Interest</u></b>	
	There were no declarations of interest.	
U.19.28	<b><u>Welcome and Apologies</u></b>	
	All present were welcomed to the meeting and introductions were made. There were no apologies.  RSM was represented by Laura Goodwin in place of Louise Tweedie.	
U.19.29	<b><u>Minutes of the previous meeting held on 18 June 2019</u></b>	
	The minutes were agreed as a true and accurate record and were signed by the Committee Chair, with one minor amendment – Roxana Pal to be added to the list of attendees.	
	RESOLVED THAT: the minutes be approved.	
U.19.30	<b><u>Matters Arising</u></b>	
30.1	Point U19.17.8 – report from recently insolvent college not yet available. Action point carried forward.	FSA/JB
30.2	Point U19.18.7 – implications of the McCloud judgement on the LGPS – included in the Financial Statements Auditors (FSA) Audit Finding Report – see point 9.2.	
30.3	Point U19.20.1 – cyber security – the Exec Director, Finance & Resources, confirmed this was now included in the Risk Register.	
U.19.31	<b><u>Internal Audit Reports 2018/19</u></b>	
31.1	<b>Framework for Compliance with Legal Requirements GDPR Governance Framework (2.18/19)</b>	
31.1.1	The final report was unchanged from the draft version.	
31.1.2	Governors noted that many action points related to implementation dates not yet reached. Update to be given at a subsequent meeting.	

31.1.3	The Exec Director, Finance & Resources, confirmed that GDPR was work in progress for the College.	
31.1.4	The Internal Audit Service (IAS) advised that there were action points to address but the report's findings were very much in line with the rest of the sector as GDPR is a developing area.	
31.1.5	Governors agreed that the Exec Director, Finance & Resources, would discuss with the IAS outside the meeting ideas of best practice arising within the sector.	Exec Dir, F&R/IAS
31.1.6	GDPR to be an agenda item for the next meeting. Clerk to note for agenda.	Clerk
31.1.7	The follow-up in next year's plan will look at implementation of the actions which will be reported to the Board.	
31.1.8	RESOLVED THAT: Governors received the report.	
31.2	<b>Follow Up (3.18/19)</b>	
31.2.1	The IAS advised that little progress had been made: some actions have not been implemented; some are ongoing.	
31.2.2	Most are Low level actions. The Medium level action (ILT strategy) has not yet reached its implementation date.	
31.2.3	Some implementation dates have now passed since the report was issued. The Exec Director, Finance & Resources, advised that many related to GDPR actions. A review of policies and procedures was underway.	
31.2.4	Governors were concerned to note that Little progress had been made on some actions, asking if the successful implementation of the Cadbury merger had impacted on work pressure and had diverted attention.	
31.2.5	The Principal reassured that the ILT Strategy was student focused and was in place between Sandwell and Cadbury. The Exec Director, Finance & Resources, advised that the focus since merger had been ensuring that IT systems were in place and working effectively at Cadbury, e.g. wi-fi in place and operational, as well as investment in IT across the campuses to ensure there was effective IT in place for staff and students. Staff are focusing on delivery of the provision. This demonstrated that an ILT strategy was in place it had just not been formulated into the revised plan.	
31.2.6	Governors recommended that mitigating factors and action be incorporated into future reports.	
31.2.7	The College agreed to submit a management comment to be included the report detailing the work which had taken place to make IT fit for purpose.	
31.2.8	Governors suggested a summary sheet accompany the IAS reports outlining how well the College was performing against key priorities.	
31.2.9	RESOLVED THAT: <ul style="list-style-type: none"> <li>• Governors received the report.</li> <li>• Mitigating factors and action would be incorporated into future reports.</li> </ul>	IAS IAS

	<ul style="list-style-type: none"> <li>The IAS would include a summary sheet with future reports outlining how well the College was performing against key priorities.</li> </ul>	
31.3	<b>Learner Number Systems (4.18/19)</b>	
31.3.1	The report focuses on Apprenticeships study programmes and AEB provision. The majority of recommendations relate to the Apprenticeships area. This mirrors the situation in other colleges in the sector.	
31.3.2	One High level management action had arisen which related to the feasibility of delivering Apprenticeships with only 11 on one particular course.	
31.3.3	The Exec Director, Finance & Resources, explained that the findings in the report had largely been superseded by the PWC ESFA funding audit, particularly points relating to negotiated prices in Apprenticeships documentation. It had been agreed with PWC that negotiated prices did not sit within the contract but the College did have evidence of how this was included at present and provided supplementary price documentation, examples given. It was not possible to retrospectively include this in the contract but this will be included from 2019/20 onwards.	
31.3.4	The College questioned the IAS's interpretation of the rationale in the ESFA guidance regarding utilisation of other funding for apprentices, explaining that the College engaged with employers on other provision, e.g. bite-sized courses. The College constantly quality assesses apprenticeships to ensure that weak provision is removed.	
31.3.5	The Exec Director, Finance & Resources, pointed out that the recommendations for this area had largely been superseded by the ESFA funding audit, e.g. off the job training, or had been addressed since the IAS review. The College had received an unqualified audit opinion from the ESFA audit.	
31.3.6	<p>Governors found it helpful to know what had been superseded and suggested that a summary response from the College to update on the status of the report would be helpful to give clarity on the report's conclusion.</p> <p>Following discussion, it was decided that a management response to each point would be included in future reports to provide clarification and update.</p> <p>The IAS advised that the comments were noted and would be reported back to the Audit Director and pointed out that they would be moving to exception reporting next year which would draw out expectations.</p> <p>Governors supported the move to exception reporting believing it would simplify the reports and assist their understanding.</p>	Exec Dir, F&R
31.3.7	The Exec Director, Finance & Resources, agreed to share the PWC report with the IAS when received together with the scope of the audit so that a comparison with the IAS reports could be made. The College could demonstrate what action it had taken on the PWC audit recommendations. The IAS could do sample testing based on that action.	Exec Dir, F&R
31.3.8	The Exec Director, Finance & Resources, asked if the presence of Learner Numbers on the annual IAS schedule was to mirror the ESFA funding audit. The IAS explained that the focus could be on other groups	

	of learners, on which the College needed assurance, other than Apprenticeships but Apprenticeships do remain a key focus in the sector at present.	
31.3.9	Governors requested an update on point 2.6 of the IAS Progress Report, where work experience was highlighted as a Medium level recommendation to be actioned by 30 September 2019.  The College advised that this had been dealt with under the ESFA funding audit.	
31.3.10	RESOLVED THAT: <ul style="list-style-type: none"> <li>• Governors received the report</li> <li>• A management response to each point would be included in future reports to provide clarification and update.</li> <li>• The Exec Director, Finance &amp; Resources, would share the PWC report with the IAS when received together with the scope of the audit</li> </ul>	
31.4	<b>IAS Progress Report 2019</b>	
31.4.1	Learner Numbers is planned for March but the date can be adjusted to the College's needs.	
31.4.2	Counter fraud will be reviewed. A strategy must be in place to enable the College to be reactive to counter fraud, e.g. via staff awareness training. The ESFA self-assessment will be used to identify any gaps in the counter fraud strategy.	
31.4.3	ISO27001 requirement – the deadline for compliance is currently July 2020 but verbal advice received is that this deadline has been postponed to 31 July 2021. Written confirmation will be circulated when available.  RSM has a specialist team who can advise on how to address the requirement. A full briefing is available which will be sent to the College by the IAS.	IAS  IAS
31.4.4	Explanation given of ISO27001 which mainly relates to information and data management and security.	
31.4.5	The AoC is currently lobbying against this requirement as the accreditation process is expensive. The College will follow the AOC's advice.	
31.4.6	The College suggested that the funding audit remain in the plan for the year but its scope may be influenced by the ESFA audit.	
31.4.7	RESOLVED THAT: <ul style="list-style-type: none"> <li>• Governors received the report</li> <li>• Written confirmation of the deadline for compliance with the ISO27001 would be circulated by the IAS.</li> <li>• Full briefing on ISO27001 to be forwarded to the College by the IAS.</li> </ul>	IAS  IAS
U.19.32	<b><u>Value for Money 2018/19</u></b> Presented by the Exec Director, Finance & Resources.	
32.1	In previous years, the following areas have been targeted for value for money reviews: cleaning, catering, security, print management services.	

32.2	<p>This year the focus was employment agency expenditure, IT equipment and banking services.</p> <p>Historically, a number of different employment agencies have been used across the College, examples given. There was a need to move to a system which offered more consistency and continuity. A preferred supplier relationship has been established with Morgan Hunt, a specialist provider of</p> <p>teaching staff, from September 2019. Every agency request is now made through an online portal and is signed off by HR and the Exec Director, Finance &amp; Resources.</p> <p>A contract review meeting is scheduled to resolve some initial teething problems with Morgan Hunt but overall it has been a successful process. Agency costs are much lower than in previous years.</p>	
32.3	IT equipment prices are constantly reviewed.	
32.4	Banking services – the College secured a better deal with and transferred to Santander.	
32.5	Procurement of smaller items – this is handled through the budget setting process. The College has introduced a more streamlined process. The Exec Director, Finance & Resources, has met with each budget holder to reinforce their responsibilities. The reports have been updated to ensure budget holders can monitor their own spend.	
32.6	Exams – there has been no significant increase in exam fees. If there was a sudden significant increase by an exam board it would be quickly identified by the College. Quality of exams and their appropriateness for students is a higher priority so it is not an appropriate focus for the VFM report.	
32.7	Cleaning – will be reviewed again this year.	
32.8 NFP		
32.9	Payroll, building services, utilities and maintenance costs are the targets for this year.	
32.10	RESOLVED THAT: Governors received the Value for Money 2018/19 report.	
U.19.33	<p><b><u>Health &amp; Safety Annual Report 2018/19</u></b> Presented by the Exec Director, Finance &amp; Resources</p>	
33.1	Any questions raised by Governors would be taken back to the H&S Manager for response.	
33.2	<p>Governors queried the point that fire marshal training had been offered to all staff and fire extinguisher training had been offered to all departments, asking if this meant the training was optional and sought reassurance that the College had the appropriate numbers of trained fire marshalls and fire extinguisher trained staff. The Exec Director, Finance &amp; Resources, would seek clarification from the Health &amp; Safety Manager.</p>	Exec Dir, F&R
33.3	The Principal advised that the College was supported by an external fire expert who had recently completed a full report on the College's fire safety	

	for the main campus. Copy of the report to be circulated to Governors via the Clerk.	Princ/ Clerk
33.4	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>• Governors received the Health &amp; Safety Report</li> <li>• The Exec Director, Finance &amp; Resources, would seek clarification from the Health &amp; Safety Manager that the College had the appropriate numbers of trained fire marshalls and fire extinguisher trained staff</li> <li>• A copy of the recent external fire safety report would be circulated to Governors via the Clerk.</li> </ul>	Exec Dir, F&R  Princ/ Clerk
U.19.34	<b><u>Financial Statements Auditors – Letter of Engagement</u></b>	
34.1	The Exec Director, Finance & Resources, confirmed that the signed letter of engagement was on file.	
34.2	RESOLVED THAT: the signed FSA's Letter of Engagement was on file.	
U.19.35	<b><u>Financial Year-End 2018/19</u></b>	
35.1	<b>Regularity Audit Self-Assessment Questionnaire 2018/19</b>	
35.1.1	The draft questionnaire had been presented at the June Audit Committee. The final report was largely unchanged other than one or two minor changes where some items were not applicable.	
35.1.2	Final copy to be signed at the Board meeting on 9 December 2019 by the Chair and Principal.	Clerk
35.1.3	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>• Governors considered the Regularity Audit Self-Assessment Questionnaire 2018/19</li> <li>• The final copy would be signed at the Board meeting on 9 December 2019 by the Chair and Principal</li> </ul>	
35.2	<p><b>Financial Statements and Regularity Audit</b></p> <ul style="list-style-type: none"> <li>- <b>Audit Finding Report 2018/19 incl.</b></li> <li>- <b>Letter of Representation (Appendix C)</b></li> </ul>	
35.2.1	The FSA anticipate giving an unqualified opinion on the financial statements and the Regularity Audit.	
35.2.2	The FSA acknowledged it had been a challenging year for the College with it being the Exec Director, Finance & Resources, first year in post, the Cadbury merger and the ESFA funding audit.	
35.2.3	There were no concerns to bring to Governors' attention.	
35.2.4	There had been only 2 adjustments through the course of the audit, both of which management had anticipated: the final account entries regarding the Cadbury acquisition and valuation of the enhanced pension provision.	
35.2.5 NFP		
35.2.6	Governors suggested the commentary be amended to provide a fuller explanation of the current position.	

35.2.7	<p>The LGPS balances in the accounts remain a key area of focus, although not a significant risk from an audit perspective this year. The McCloud matter had a £400k impact on the College's valuation. The WMPF triennial valuation results will be available soon which will impact the cash payments the College is required to make over the next 3 years.</p> <p>There had been a slight movement in enhanced pension provision based on professional actuarial advice.</p>	
35.2.8	<p>The FSA had no issues to raise regarding the College remaining a going concern. The College had secured a Good financial rating from the ESFA. All the projections demonstrate the College is in a robust position to manage its finances for the next 12 months.</p>	
35.2.9	<p>The FSA explained it is their responsibility to challenge the robustness of estimates and judgements particularly as this year had to include the fair value of the Cadbury College.</p>	
35.2.10	<p>The FSA noted that last year there had been difficulties in gathering evidence from the College but this had greatly improved this year.</p>	
35.2.11	<p>The FSA fee overrun is to be confirmed because additional work was carried out around the Cadbury merger which had been a complicated area. The FSA will discuss their additional fee with the Exec Director, Finance &amp; Resources.</p>	
35.2.12	<p>The action plan mainly includes housekeeping points, examples given.</p>	
	<p style="text-align: right;">GP left the meeting</p>	
35.2.13	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>• Governors would recommend the Audit Finding Report 2018/19 to the Board for approval.</li> <li>• Governors would recommend the Letter of Representation to the Board for approval.</li> </ul>	<p>Chair</p> <p>Chair</p>
35.3	<p><b>ILR (ESFA) Funding Audit 2018/19</b></p>	
35.3.1	<p>The College had been randomly selected for the audit this year. Details of the audit and areas covered outlined by the Executive Director, Finance &amp; Resources. The report was positive and an unqualified opinion was given.</p>	
35.3.2	<p>RESOLVED THAT: Governors received details of the ILR (ESFA) Funding Audit 2018/19.</p>	
35.4	<p><b>Internal Audit Annual Report 2018/19</b></p>	
35.4.1	<p>This year the IAS's opinion was an Amber/Green rating. Some areas had been identified where further work was needed, e.g. apprenticeships and GDPR, to ensure follow-up actions had been implemented.</p>	
35.4.2	<p>RESOLVED THAT: Governors would recommend the Internal Audit Annual Report 2018/19 to the Board for approval.</p>	

35.5	<b>Risk Management Annual Report</b>	
35.5.1	There was little change to the previous report. Pensions remain an area of focus.	
35.5.2	Governors were advised that Emma Smith, Cadbury, had been appointed as the T level champion. Money has been received from Employer Support to ensure that T levels were maximised.	
35.5.3	RESOLVED THAT: Governors would recommend the Risk Management Annual Report to Governors for approval.	Chair
35.6	<b>ISA 240 self-assessment questionnaire – update</b>	
35.6.1	Governors considered the questionnaire update. Any queries were to be directed to the Exec Director, Finance & Resources, outside the meeting.	
35.6.2	The Exec Director, Finance & Resources, gave details of the planned review of the current payroll system.	
35.6.3	RESOLVED THAT: Governors considered the ISA 240 Self-Assessment Questionnaire.	
35.7	<b>Reconciliation of Period 12 Management Accounts (July 2018) to the Financial Statements 2018/19</b>	
	RESOLVED THAT: Governors received and noted the Period 12 management accounts.	
35.8	<b>Members Report and Financial Statements 2018/19</b>	
35.8.1	Governors considered the Members Report and Financial Statements 2018/19.	
35.8.2	The layout of the report relating to the statement of comprehensive income was discussed. The FSA and the College assured Governors that it complied with the ESFA's requirements. The Exec Director, Finance & Resources, and the FSA explained the context to all references to Cadbury College.	
35.8.3	RESOLVED THAT: Governors would recommend the Members Report and Financial Statements 2018/19 to the Board for approval and signing by the Chair and Principal.	
35.9	<b>Draft Annual Report of Audit Committee to Board of Governors and the Accounting Officer – 2018/19</b>	
	RESOLVED THAT: Governors approved the draft report.	
U.19.36	<b><u>Register of Outstanding Internal Audit Recommendations</u></b>	
36.1	The Exec Director, Finance & Resources, explained that the Register had been superseded by the IAS follow-up reports so would be removed as an item from future agendas.	
36.2	RESOLVED THAT: Governors noted that the Register of Outstanding Internal Audit Recommendations would be removed as an item from future agendas.	Clerk
U.19.37	<b><u>Implications of Bournville investigation report</u></b>	



37.1	The ESFA Chair's letter of July 2019 was noted.	
37.2	Governors asked if there were any lessons to be learnt from the Bournville College investigation.	
37.3	The FSA assured Governors that the College had robust policies and procedures in place to ensure such a situation did not arise. The papers presented to the Board, for example value for money and ISO 240, give assurance to the Board and there are checking mechanisms in place which would guard against such occurrences.	
37.4	Governors asked if the auditors would alert the Board of any irregularities.  The FSA assured that this would be picked up in their audit.	
37.5	The Exec Director, Finance & Resources, welcomed robust challenge at Board level as an assurance process for officers of the College.	
37.6 NFP		
37.7	RESOLVED THAT: Governors received and noted the ESFA Chair's letter of July 2019 relating to the Bournville College investigation.	
U.19.38	<b><u>Review of Audit Committee effectiveness</u></b>	
	RESOLVED THAT: The Committee had reviewed its performance over 2018/19 and rated itself as 'Good'.	
U.19.39	<b><u>Any Other Business</u></b>	
	Auditors were given the opportunity to meet with the Committee without management presence.  The auditors confirmed they did not need to take up this offer at this time.	
	BD, HM and LG left the meeting	
NFP	<b><u>**CONFIDENTIAL SESSION**</u></b>	
U.19.41	<b><u>Determination of Confidential items</u></b>	
	<ul style="list-style-type: none"> <li>• Cadbury acquisition</li> <li>• Payroll system</li> <li>• CONFIDENTIAL SESSION</li> </ul>	
U.19.42	<b><u>Date and time of next meeting</u></b> <b>Tuesday 17 March 2020, 8.00am</b>	

The meeting ended at 10.50am