

SANDWELL COLLEGE

**Minutes of the Audit Committee meeting held on
Tuesday 16 June 2020 at 8.00am**

Present: N Grace Independent Governor
J Tew Independent Governor

In attendance: J Bailey Exec Director, Finance and Corporate Resources
B Devitt Grant Thornton
E Scotford Clerk to the Corporation
L Tweedie RSM

Apologies: G Bassi Independent Governor
J Francis Independent Governor
G Pennington Principal

		Action
U20.13	<u>Welcome and Apologies</u>	
	All present were welcomed to the meeting and introductions were made. Apologies were received from Gurvinder Bassi, Independent Governor, and Laura Goodwin, RSM. The meeting was not quorate but it was decided that the meeting should continue with items for approval deferred to the Board meeting on 6 July 2020. The Financial Statements Auditors and the Internal Audit Service agreed that the meeting should proceed.	
	RESOLVED THAT: Apologies were accepted.	
U20.14	<u>Declarations of Interest</u>	
	There were no declarations of interest.	
U20.15	<u>Minutes of previous meetings held on:</u>	
20.15.1	<u>26 November 2019</u>	
	Approval of the minutes was deferred to the Board meeting. Clerk to note for agenda.	Clerk
	RESOLVED THAT: approval of the minutes be deferred to the Board meeting on 6 July 2020.	
20.15.2	<u>17 March 2020</u>	
	Approval of the minutes was deferred to the Board meeting. Clerk to note for agenda.	Clerk
	RESOLVED THAT: approval of the minutes be deferred to the Board meeting on 6 July 2020.	

U20.16	<u>Matters Arising from the meetings on:</u>	
20.16.1	<u>26 November 2019</u>	
	Point U19.30.1 – report from recently insolvent college to be circulated for information – actioned.	
	Point U19.31.1.5 – Exec Director, Finance & Resources, to discuss GDPR best practice with the IAS – actioned.	
	Point U19.31.1.6 – GDPR to be an agenda item for the next meeting – actioned.	
	Point U19.31.2.9: <ul style="list-style-type: none"> - IAS Follow Up Report – mitigating factors and action to be incorporated into future reports – actioned. - IAS to include summary sheet in future reports outlining how well the College was performing against key priorities – actioned. 	
	Point U19.31.3.6 – management response to each point to be included in future IAS reports to provide clarification and update – actioned.	
	Point U19.31.3.7 - Exec Director, Finance & Resources, to share PWC report with the IAS – actioned.	
	Point U19.31.4.3: <ul style="list-style-type: none"> - Written confirmation of deadline for ISO27001 to be confirmed – actioned. - Full briefing on ISO27001 compliance to be sent to the College by IAS – actioned. 	
	Point U19.33.2 - Exec Director, Finance & Resources, to seek confirmation from the Health & Safety Manager that the College had appropriate numbers of trained fire marshalls and fire extinguisher trained staff – actioned.	
	Point U19.33.3 – copy of external fire safety expert’s report to be circulated to Governors – actioned.	
	Point U19.35.1.2 – final copy of Regularity Audit Self-Assessment Questionnaire 2018/19 to be signed at the Board meeting on 9 December 2019 – actioned.	
	Point U19.35.2.13: <ul style="list-style-type: none"> - Governors would recommend the Audit Finding Report 2018/19 to the Board for approval – actioned. - Governors would recommend the Letter of Representation to the Board for approval – actioned. 	
	Point U19.35.5.3 – Governors would recommend the Risk Management Annual Report to Governors for approval – actioned.	
	Point U19.36.2 – Register of Outstanding Internal Audit Recommendations to be removed as an agenda item – actioned.	
20.16.2	<u>17 March 2020</u>	
	Point U20.3 – approval of minutes of 26 November 2019 deferred to the next meeting – actioned but further deferral necessary.	

	Point U20.7.4 – IAS to update the next meeting on progress made on GDPR to underpin testing – work delayed because of Covid-19.	
	<p>Point U20.8.8 – example of proactive fraud planning strategy used by another education organisation to be provided by the IAS – actioned. Strategy to be put in place in July/August to comply with the Audit Code of Practice.</p> <p>The Exec Director, Finance & Resources, advised that the College was receiving regular advisory updates from banks regarding additional fraud risks presented by the Covid-19 situation. The College is mindful of effective security systems and processes because of the new ways of working prompted by Covid-19. It is a live situation. There were no immediate concerns for review by the Committee.</p> <p>Formal Fraud Prevention Policy to be approved at the Board meeting on 6 July 2020.</p>	Exec Dir, F&R
	Point U20.8.9 – copy of DfE report on fraud in the wider education sector to be forwarded to the College – actioned.	
U20.17	Covid-19 update Verbal update given by the Exec Director, Finance & Resources.	
20.17.1	Weekly meetings take place with Governors briefed by the Principal and SLT on the College's evolving reopening plans. The Principal's updates and video briefings to staff are also circulated to Governors. The Principal also updated the full Board at the Extra-ordinary Board meeting on 11 June 2020.	
20.17.2	<p>The College plans to partially reopen week commencing 22 June 2020. The reopening will be carefully controlled with individual students across the 3 campuses invited to meet their course tutor by appointment. All progressors have been invited. Sufficient meeting slots are in place at timed intervals for those who have booked an appointment to enable them to take place safely. All students planning to attend have been sent a bus pass and face mask to enable them to travel to college safely.</p> <p>The meeting will take the form of a welcome and wellbeing check, discussion of work completed during lockdown and what improvements and support might be necessary to maximise students' participation between now and the full reopening. This should alleviate any concerns students have about a safe return to college and allow an opportunity for both students and staff to see all the safety measures put in place.</p>	
20.17.3	Focus will then move to enrolment. Plans have been shared with all staff. The enrolment documentation will be moved online as much as possible.	
20.17.4	<p>The Principal and SLT have informed and reassured staff on the steps taken to ensure the College is safe.</p> <p>Governors agreed that the level of communication had been excellent and asked that their thanks be passed on to all involved.</p>	
20.17.5	In response to a Governor's query, the Exec Director, Finance & Resources, advised that a full financial update on the year to date would be given to the Board meeting on 6 July along with approval of the budget for next year. There are a number of returns to complete as the ESFA is keen to map the impact of Covid-19 across the sector in order to present a case to government.	

	The College continues to monitor cash, finances and standard financial controls.	
	RESOLVED THAT: Governors received an update on the College's response to Covid-19.	
U20.18	Internal Audit Reports 2019/20 Presented by the IAS	
U20.18.1	HR Controls: Recruitment and Selection 1.19/20	
18.1.1	The scope of the audit was explained which included a review of controls over recruitment and selection. Three Medium priority actions were identified. Two concerned interview and scoring processes and the need to retain clear records to demonstrate the basis for shortlisting and interview scores in case of any challenge of the recruitment decision at a later stage. The third related to the timeliness of probationary reviews as there were a number of examples where these were overdue. Probationary reviews are useful to manage any concerns in the early stages of employment.	
18.1.2	Overall Reasonable Assurance was awarded because core procedures are in place.	
18.1.3	Governors expressed concern at the number of examples of non-compliance across various elements of the testing and therefore questioned the Reasonable Assurance rating and the Medium rated recommendations.	
18.1.4	Governors noted the management action assigned to each heading and requested an update on implementation at the next meeting. The IAS confirmed that this would form part of their follow up next year. The IAS referred to their assessment which distinguished between whether the design of the controls or lack of action was the issue. Compliance is fundamental but the IAS were of the opinion that there was a genuine intention to ensure the areas highlighted were implemented moving forwards. The checks in place for staff to follow are effective. Some legacy issues from Cadbury remain which was an influencing factor. The IAS reassured that if the areas highlighted had not been addressed by the time of the follow-up visit the severity rating may be increased. In response to a Governor's query, the IAS confirmed that the scope of their audit did not cover harmonisation of processes between Sandwell and Cadbury following the merger.	
18.1.5	Governors stressed that they expected the management actions to be completed by the next Audit Committee and asked the IAS to follow up with Becky Beaty, Exec Director, HR and OD.	IAS
18.1.6	The Exec Director, Finance & Resources, pointed out that the IAS reports were prepared by exception as Governors had found the previous format to be too long and detailed. The many positive features and areas of compliance had therefore not been included in the report. The IAS pointed out that 2 staff members had been recruited to supplement the strength of the HR team: one for process improvement and one for recruitment, and the IAS had confidence that all areas would be addressed.	
18.1.7	The IAS agreed to report back on progress at the next meeting.	IAS

18.1.8	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> • Governors received the Internal Audit Report on HR Controls: Recruitment and Selection 1.19/20 • IAS to follow up with Becky Beaty, Exec Director, HR and OD, management actions from the Internal Audit Report on HR Controls: Recruitment and Selection 1.19/20 for the next meeting 	
U20.18.2	Governance and Risk Management 3.19/20	
18.2.1	The IAS explained the scope of the audit.	
18.2.2	The audit resulted in Substantial Assurance with one or two Low priority actions identified, the majority of which had since been implemented.	
18.2.3	Governors noted that the audit reported Governor attendance as poor. This would be discussed in detail at the Search Committee meeting on 22 June 2020.	
18.2.4	RESOLVED THAT: Governors received the Internal Audit Report on Governance and Risk Management 3.19/20	
U20.18.3	Progress Report Presented by the IAS	
18.3.1	The key financial controls report has been issued in draft.	
18.3.2	This was the first assignment conducted remotely since lockdown. It has subsequently been refined with thanks to the Exec Director, Finance & Resources, and the team. The final report will be presented to the next meeting.	
18.3.3	A follow-up is scheduled for July 2020. This is an overarching annual opinion for the year as part of the Internal Audit Standard.	
18.3.4	Learner numbers has been postponed for the time being as it is a paper-based audit. Consideration to be given to how to address this moving forwards. This has been able to be carried out remotely in other organisations.	
18.3.5	Briefing on Covid-19 given. It has brought advantages and disadvantages. The control environment has had to convert quickly to remote working. Onsite work will need to be considered but most work will continue to be conducted remotely in line with government guidelines.	
18.3.6	<p>Governors referred to the need to be alert to fraud risks and cyber security and asked how relevant information was distributed and shared with staff given they were working remotely to ensure they were kept up to date on risks and their awareness heightened.</p> <p>The Exec Director, Finance & Resources, advised that the Finance team had transposed controls into the new remote environment with physical sign-offs replaced by alternative systems. With regard to fraud awareness, the College has no cash payments at present. There have been fewer financial transactions due to college closure and the Exec Director, Finance & Resources, authorises every payment. The team has had time to regroup but when the College reopens and work levels increase, the team needs to ensure risks are managed.</p>	

18.3.7	Governors asked if the Health and Safety team's purchases and suppliers of PPE had been checked. The Exec Director, Finance & Resources, confirmed that no new suppliers had been added during this period.	
18.3.8	Governors strongly recommended that the College should ensure it communicated appropriately with those staff in roles more likely to be a fraud risk as well as the wider staff body about phishing and how to promote best behaviour. The Exec Director, Finance & Resources, to action how best to communicate increased fraud risks.	Exec Dir, F&R
18.3.9	Governors noted that the limited number of transactions reduces risk. The Exec Director, Finance & Resources, advised that recruitment activity had reduced. When the College reopens, any new supplier will be subject to thorough checks and fraud risk management processes reviewed to reflect any changes to working practices post-Covid. The FSA were assured by the dual authorisation processes in the College. The Exec Director, Finance & Resources, assured that there was segregation of duties and dual authority.	
18.3.10	RESOLVED THAT: Governors received the Internal Audit Progress Report.	
U20.19	Summary report on the outstanding actions from internal audit including GDPR/ICT Presented by the Exec Director, Finance & Resources	
19.1	Governors confirmed the high-level format of the report was appropriate. The IAS reassured that this formed part of their follow-up testing and they would double check the areas identified by the Exec Director, Finance & Resources, as being actioned.	
19.2	The Exec Director, Finance & Resources, reported that most of the health and safety actions had been addressed but would need to be reconsidered because of Covid-19. For example, visitor sign-ins were not being conducted at present and will need to be revised to a contactless system.	
19.3	Learner number systems actions have all been implemented. The Exec Director, Finance & Resources, had used the systems for the funding audit and was confident that all findings from the internal audit were now embedded in the systems.	
19.4	GDPR – the full review which was scheduled has been delayed. The Exec Director, Finance & Resources, confirmed that work had been progressed by the College in the area of GDPR compliance, focusing on the current/future compliance, for example Progression week forms issued to learners had been checked to ensure that the correct permission was obtained for GDPR compliance as well as all websites, online enquiry forms and online enrolment systems. It was not practical during lockdown for the IAS to complete reviewing paper-based information held by the College that may fall within GDPR requirements. Governors suggested that the AoC's briefing on GDPR to ensure compliance in a Covid-19 environment needed to be reviewed. Any archived material is securely held so was not a priority in the current environment. Forward looking is more important, e.g. contact with learners needs to be compliant. The College is increasingly confident it is compliant	

	<p>in these areas. It is a cultural mindset and key people are mindful and particularly vigilant.</p> <p>Governors agreed that 2021 was a realistic date for compliance review given the current focus on Covid-19 related issues recognising that GDPR is important but needs to be proportionate to other current priorities.</p>	
19.5	Cash and banking – low level findings have all now been implemented.	
19.6	Follow-up report from last year – one or two remaining items are now outdated. Attendance is a constant area of focus and is a standing agenda item for QCE meetings.	
19.7	HR recruitment – 2 references – this related to the previous HR audit so has now been superseded. It forms part of the recruitment process audit.	
19.8	<p>Staff utilisation metrics – to be factored into corporate information. The Exec Director, Finance & Resources, explained this data would be helpful but was not easy to compile because of the number of factors involved. It would be a significant body of work and would take a long time to complete. It is not a priority given that there is a KPI matrix in place. Performance of departments has been a greater priority.</p> <p>Governors agreed that staff utilisation was best demonstrated by the performance of the College and its finances and learner outcomes are managed closely by the Principal and SLT.</p> <p>Governors pointed out it was a management decision whether staff utilisation metrics were a necessary tool for the College. SLT to discuss possible removal of the action and refer back to the Audit Committee.</p>	Exec Dir, F&R
19.9	IAS commented that the staff utilisation management action was prompted by the 2016/17 FE Commissioner's report which stated that colleges in financial difficulty did not have efficient staff utilisation. The risk was not raised at that time because alternative systems which are in place in the College are deemed to be sufficient, e.g. monitoring the timetabling of sessions.	
19.10	Retention of staff appraisal documentation has been implemented.	
19.11	IT policies were approved at the December Board meeting. Cyber Essentials accreditation is in progress.	
19.12	RESOLVED THAT: Governors monitored the summary report on outstanding actions from internal audit.	
U20.20	<u>Internal Audit Strategy 2020/21</u> Presented by the IAS	
20.1	The Internal Audit Strategy had been compiled in liaison with the Exec Director, Finance & Resources, and consideration of the risk register and issues facing the sector. The plan is flexible to adapt to any issues arising. Governors will be informed of any changes in approach.	
20.2	<p>Governors asked why an internal audit plan of the College's approach to the Covid-19 situation was not included.</p> <p>The IAS explained that this would feature across all audits so a separate plan was not needed.</p>	
20.3	Key financial controls will focus on payroll.	

20.4	Other areas will be developed with the Exec Director, Finance & Resources. Apprenticeships has been an area of close scrutiny in the past so the focus will now move to other areas, e.g. core 16-18 study programmes which are being delivered increasingly through blended online learning so an understanding of the audit trail is necessary.	
20.5	Legal and regulatory requirements proposed for October will be deferred until the new Audit Code of Practice is in place.	
20.6	Three audits have been provisionally suggested in the areas of: quality assurance systems; curriculum development and management arrangements; marketing and communications.	
20.7	It was noted that there may be other emerging issues to address. E.g. specific amounts of money provided during the Covid-19 situation.	
20.8	<p>Governors asked if IT should take priority over marketing and communications and be brought forward in the plan.</p> <p>The IAS advised that the impact of Covid-19 on student recruitment is currently unknown. The risk is that 16-18 students may choose to stay on in school in a familiar environment in which they feel safe during a period of uncertainty. Students may also choose to stay in education in times of recession because the market for other opportunities, e.g. apprenticeships, may be impacted. Student recruitment is fundamental to funding levels.</p> <p>The Exec Director, Finance & Resources, advised that marketing is a significant area of focus for the College. The College's success in recruitment had been the result of significant focus by SLT. It is a commercial rather than risk focus so its timing could be reconsidered.</p> <p>Governors pointed out that the College was effective in its marketing and communications and asked if internal audit was the right mechanism to review this area.</p> <p>Governors noted that the overall proposal was acceptable but agreed there needed to be a degree of flexibility given the current changing landscape, e.g. the Prime Minister is to guarantee every young person an apprenticeship but that may be challenging in the coming months. The audit schedule therefore needs to be looked at in a pragmatic way.</p> <p>Governors recommended that the marketing and communications audit should be raised with the Principal and SLT as to whether it was best use of the IAS time and skills. The Exec Director, Finance & Resources, agreed and also noted that the timing of the Quality review may need to be reconsidered in line with Ofsted's position post-Covid and January 2021 may be a little soon.</p>	
20.9	RESOLVED THAT: Governors received and would refer the Internal Audit Strategy 2020/21 to the Board for approval.	
U20.21	<u>Financial Statements Audit Plan 2020/21</u> Presented by the FSA	
21.1	The basis and remit of the Audit Plan was outlined. The FSA give a second opinion on regulatory funds used for the intended purposes. The FSA do not give assurance over systems and controls that is the IAS role although they do view many of the arrangements and controls around the finance function and will report back any issues arising to Governors.	

21.2	The Plan was drafted on the basis of business as usual. After consultation with the Exec Director, Finance & Resources, the College anticipated it would have been a standard year if not for Covid-19. Last year had been an unusual year because of the Cadbury merger.	
21.3	Covid-19 has had a considerable impact on audit. Example of the impact to date was given: 4900 Grant Thornton staff are currently working from home and becoming accustomed to conducting remote audits which have worked very well so far but do bring challenges.	
21.4	Most challenging is the going concern assessment. This needs to be considered constantly during the year before the point of approving the accounts.	
21.5	Other issues centre on: cash flow; debtors; impairment of assets; disclosures.	
21.6	Many challenges will continue to arise from the Covid-19 situation. Other colleges see financial challenges ahead. Some income streams are certain because of lag funding but some are less secure, e.g. commercial arrangements with employers.	
21.7	Covenants for those colleges with bank borrowings will be an issue for some.	
21.8	Given there may be a second spike towards the end of the year, the FSA are prepared from an external audit perspective.	
21.9	The ESFA has not yet indicated any extension to the filing deadline despite Companies House, the Charities Commission and others extending theirs. Covid-19 may also impact on deadlines later in the year.	
21.10	Significant risks were highlighted in the Plan including: the risk of fraud in revenue transactions; the defined benefit and the LGPS; and management overriding controls. Any other key risk suggestions were welcomed.	
21.11	The FSA's fees have been increased from the previous year in line with inflation as agreed. There was an additional fee last year because of the merger. A caveat related to the impact of Covid-19 is included, i.e. in the event of any complications arising because of remote working or accounting which might have affect the work of the FSA. A fair additional fee would be discussed with the Exec Director, Finance & Resources, at that point. The FSA stressed it would not seek to profiteer from the situation and would only charge for genuine additional costs believing it was only right that the client should share that cost.	
21.12	Plans are in place to start the audit and report back to the November Audit Committee meeting.	
21.13	The Exec Director, Finance & Resources, reported that it remained a straight forward year for the College as, compared to other colleges and sectors, its high percentage of lagged funding would make the going concern judgment an easier decision. Current application numbers are very strong and will hopefully transition into students and there could possibly be an increase in adult learners for those not able to access employment.	
21.14	The FSA advised that the going concern judgment for every audit it undertakes now has to go through an independent 2-tier approval process via a central technical team.	

21.15	Governors received assurance that there were no going concern issues at present.	
21.16	RESOLVED THAT: Governors received the Financial Statements Audit Plan 2020/21.	
U20.22	<u>Regularity Audit Self-Assessment Questionnaire 2019/20</u>	
22.1	The draft Regularity Audit Self-Assessment Questionnaire 2019/20 was presented. The new updated version of the questionnaire has not yet been released by the DfE. The questionnaire has therefore been based on last year's version. There were no major changes from last year's position. Any changes will be highlighted in the final version.	
22.2	Governors considered and noted the draft Regularity Audit Self-Assessment Questionnaire 2019/20.	
22.3	RESOLVED THAT: Governors considered and noted the Regularity Audit Self-Assessment Questionnaire 2019/20.	
U20.23	<u>Risk Management</u>	
23.1	Risk Management Monitoring Report	
23.1.1	A number of external risk assessments have been carried out in connection with Covid-19 risks.	
23.1.2	There was little change to the remainder of the Risk Management Monitoring Report.	
23.1.3	HE is still included. The College has given notice of its intention to deregister from the OfS but it has not yet been accepted as there is no process in place. Some risks remain related to learners completing their courses. A further update will be given to the July Board meeting.	Exec Dir, F&R
23.1.4	RESOLVED THAT: Governors monitored the Risk Management Monitoring Report.	
23.2	Risk Management Policy	
23.2.1	The Policy will need to embed any long-term changes associated with managing Covid-19 risks in due course.	
23.2.2	Governors referred to IT and blended learning and remote working asking if any changes to the IT scores were needed due to the new circumstances. The Exec Director, Finance & Resources, agreed they needed to be changed but it was difficult to determine how much to change. The changeover has been smooth, given many staff were not used to remote working.	
23.2.3	The real impact on learners is yet to be revealed because of the huge digital divide caused by the levels of deprivation in the area. This was being addressed through the bursary scheme. One of the restart groups is focusing on online learning and capacity of the IT structure.	

23.2.4	Governors acknowledged it was difficult to quantify accurately IT risks at this stage and were assured that the situation would be closely monitored.	
23.2.5	RESOLVED THAT: Governors would refer approval of the Risk Management Policy to the Board meeting on 6 July 2020.	

U20.24	<u>Any Other Business</u>	
	There was no other business.	
	The IAS and FSA left the meeting	
	<u>CONFIDENTIAL SESSION</u>	
U20.25 NFP	<u>Performance Indicators 2020/21</u>	
U20.26	<u>Audit Committee – review of Terms of Reference</u>	
	RESOLVED THAT: Governors reviewed and approved the Committee’s Terms of Reference subject to the following changes: <ul style="list-style-type: none"> - a temporary reduction of the quorum from 3 to 2 to ensure the Committee was able to function until the remaining vacancy was filled and in anticipation of potential apologies. - reference to college’s <i>audit</i> arrangements to read college’s <i>assurance</i> arrangements. 	
U20.27	<u>Determination of confidential items</u>	
	Confidential session 13	
U20.28	<u>Date and time of next meeting</u> Tbc	

The meeting ended at 9.50am