

**SANDWELL COLLEGE**

**Minutes of the Audit Committee meeting held on  
Tuesday 24 November 2020 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  
G Pennington Principal  
E Scotford Clerk to the Corporation  
L Tweedie RSM

Apologies: J Francis Independent Governor

		<b>Action</b>
U20.29	<b><u>Declarations of Interest</u></b>	
	There were no declarations of interest.	
U20.30	<b><u>Apologies</u></b>	
	Apologies were received from Jayne Francis, Independent Governor and were approved by Governors.	
	RESOLVED THAT: Apologies were accepted.	
U20.31	<b><u>Minutes of previous meeting held on 16 June 2020</u></b>	
	RESOLVED THAT: Governors approved the minutes of the previous meeting held on 16 June 2020 for signing by the Chair.	
U20.32	<b><u>Matters Arising</u></b>	
32.1	Minute No. U20.15.1 – approval of the 26 November 2019 minutes deferred to the Board meeting on 6 July 2020 – actioned.	
32.2	Minute No. U20.15.2 - approval of the 17 March 2020 minutes deferred to the Board meeting on 6 July 2020 – actioned.	
32.3	Minute No. U20.16.2 – formal Fraud Prevention Policy to be approved at the Board meeting on 6 July 2020 – actioned.	
32.4	Minute No. U20.18.1 – HR Controls: Recruitment and Selection 1.19/20 – Governors stressed they expected the management actions to be completed by the next Audit Committee – see Minute No. 33.3.	
32.5	Minute No. U20.18.1.7 – HR Controls: Recruitment and Selection 1.19/20 - IAS to report back on progress to the next meeting – actioned – Minute No. 33.3 refers.	
32.6	Minute No. U20.18.3.8 – Executive Director, Finance & Resources, to action how best to communicate increased fraud risks to staff – actioned.	

32.7	Minute No. U20.19.8 – SLT to discuss possible removal of staff utilisation metrics – actioned.	
32.8	Minute No. U20.23.1.3 – update on deregistration from HE Register to be given to July Board meeting – actioned.	
U20.33	<b><u>Internal Audit Reports 2019/20</u></b>	
33.1	<b>4.19/20 – Key Financial Controls – Creditors and Debtors</b>	
33.1.1	<p>Overall, a positive outcome with 2 low and 4 medium actions identified and management actions assigned. LT explained the medium issues related to purchase orders, sales ledger, and aged debtor chasing. Some areas of the audit had not been able to be completed because of the complications created by the remote nature of the audit work given the Covid-19 restrictions. Medium actions will be followed up in the new year.</p> <p>Governors were assured that systems were in place and operating as they should be with no evidence of impropriety, effective systems in place, with some processes needing to be fine-tuned to further strengthen the controls and balances already in place.</p>	
33.1.2	<p>Governors asked if the College aspired to achieve Substantial assurance given the current pressures because of Covid-19.</p> <p>JB confirmed that constant improvement with the aim of achieving Substantial assurance next time.</p>	
33.1.3	RESOLVED THAT: Governors received the report on Key Financial Controls – Creditors and Debtors 4.19/20.	
33.2	<b>5.19/20 – Follow Up</b>	
33.2.1	Progress across the sector had been hampered by the Covid-19 situation so the outcome was reasonable given the current restrictions and therefore the overall opinion had not been reduced. The actions would be checked again this academic year to ensure they had been addressed.	
33.2.2	The Executive Director, Finance & Resources, pointed out that progress on Follow Up items were largely due to the delayed GDPR audit follow-up visit. Most of the actions 'not implemented' or 'almost implemented' related to the GDPR audit. Of the follow-up actions from other audits, most had now been closed off with only 1-2 points remaining.	
33.2.3	RESOLVED THAT: Governors received the Follow Up Report 5.19/20.	
33.3	<b>Internal Audit Progress Report</b>	
33.3.1	The 2019/20 reports had now concluded. The remainder of the points in the Internal Audit Plan for 2020/21 referred to scoping and planning of the work.	
33.3.2	<p>With regard to the Post-16 Audit Code of Practice, there were no changes this year that impacted on the Audit Committee's Annual Report.</p> <p>Reporting of fraud is different for AEB funding so an awareness of the additional requirement is needed and procedures will be updated.</p>	

33.3.3	<p>Discussion took place on the Ney Report and its recommendations.</p> <p>Greater focus on risk appetite in the sector was recommended, highlighting that the Audit Committee should help the Corporation identify its appetite for risk. Some colleges had made decisions outside their risk appetite, for the right reasons but had had unfortunate consequences.</p> <p>There was a recommendation that External Audit report directly to the Board. This had received a mixed response from RSM as they understood the recommendation in principle but recognised that External Audit were already allowed to be in attendance at Audit Committee meetings and had the facility to meet with Governors in private session without college management present if necessary.</p> <p>Governors acknowledged the important points raised in the Ney Report but pointed out the need to remember that Governors were volunteers so the increasing expectations and responsibilities could deter future recruits.</p> <p>Governors sought clarification regarding the reference to a Governance Professional. It was explained that this related to the role of the Clerk (the role was sometimes referred to by other titles, the range of responsibilities was outlined). Training and development opportunities were being expanded to ensure Governance Professionals were able to address the increased focus on strategic governance. Governors were concerned to note the suggestion that the Governance Professional be part of the Executive team, believing it was important to preserve the integrity, independence and impartiality of the role.</p> <p>Governors pointed out that, of the Internal Audits conducted in 2019/20, governance had received Substantial Assurance. The IAS confirmed there was a good framework of governance in place which was well managed by the Clerk, the Chair and the Board.</p>	
33.3.4	RESOLVED THAT: Governors received the Internal Audit Progress Report.	
	GB arrived	
33.4	<b>Summary report on the outstanding actions from internal audit</b>	
33.4.1	The Executive Director, Finance & Resources, reported that, aside from the GDPR actions, the other actions were well underway to completion.	
33.4.2	Governors asked that a brief update be brought to the March meeting.	Exec Dir, F&R
33.4.3	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>• Governors monitored the summary report on outstanding actions from internal audit.</li> <li>• A brief update on outstanding actions be brought to the March meeting.</li> </ul>	Exec Dir, F&R
U20.34	<b><u>Value for Money 2019/20</u></b>	
34.1	The Executive Director, Finance & Resources, assured that the College always seeks to achieve Value for Money in its procurement activity and takes the opportunity to periodically review its main contracts and areas of expenditure.	

34.2	<p>In 2019/20 it had:</p> <ul style="list-style-type: none"> <li>• brought its payroll system in-house which had achieved cost savings and had improved the quality of information</li> <li>• reviewed its cleaning contract in relation to both costs and standards. This has been particularly important because of the Covid-19 situation. Following the review, the decision had been taken to bring cleaning in-house, with existing long-serving staff subject to TUPE. The College will be covering sickness absence which was not part of the old contract. The College is a living wage employer so cleaning staff will move from the national minimum wage to the living wage on transfer. Despite this, significant savings are calculated including VAT and contractor profit. The contract will terminate on 31 January 2021.</li> </ul>	
34.3	<p>The finance system will be reviewed in due course as the quality of data could be improved, particularly around budget holder reporting. Demonstrations have been received and costing proposals are awaited.</p>	
34.4	<p>IT procurement and utilities, specifically electricity, will be reviewed.</p>	
34.5	<p>Governors suggested the discussion around value for money be widened particularly with regard to the impact of Covid-19 on office space, given that people are being encouraged to work from home as much as possible; as well as its impact on financial audit and systems enhancements given the adjustments needed to move to electronic rather than paper processing of information and the associated GDPR implications.</p> <p>The Executive Director, Finance &amp; Resources, advised that the College had implemented Adobe Sign across finance and HR processes which had improved the speed of sign-offs.</p>	
34.6	<p>Governors suggested that systems for remote working be an area of focus for audits next year.</p>	
34.7	<p>RESOLVED THAT: Governors received the Value For Money 2019/20 report.</p>	
U20.35	<p><b><u>Health &amp; Safety Annual Report 2019/20</u></b></p>	
35.1	<p>Governors appreciated the useful summary and format of the report.</p>	
35.2	<p>There were no reportable accidents.</p>	
35.3	<p>The report outlined the College's Covid-19 response. It was noted that Governors received frequent updates from the College as well as regular meetings between Governors and SLT to keep abreast of developments and guidance relating to Covid-19.</p>	
35.4	<p>RESOLVED THAT: Governors received the Health &amp; Safety Report 2019/20.</p>	
U20.36	<p><b><u>Financial Statements Auditors – Letter of Engagement</u></b></p>	
36.1	<p>The Executive Director, Finance &amp; Resources, confirmed that the signed letter of engagement was on file.</p>	
36.2	<p>RESOLVED THAT: Governors noted that the signed FSA's Letter of Engagement was on file.</p>	

U20.37	<b><u>Financial Year-End 2019/20</u></b>	
37.1	The Executive Director, Finance & Resources, advised that no audited financial statements were available because Grant Thornton had asked for a deferral but the draft accounts had been issued. The whole sector has been given another month to audit their accounts. The College was therefore working on the audit in December for reporting to the January Special Board meeting. This was unavoidable in the circumstances. An Audit Committee would immediately precede the January Board meeting in order for the Audit Committee to review the final version for approval to the Board.	
37.2	Governors advised that, as the accounts had been received the day before the meeting, they had not had time to review them and any discussion would therefore be limited. Governors asked if this would allow sufficient time to scrutinise the final version.	
37.3	The Executive Director, Finance & Resources, advised that the plan was to explore any issues today arising from the draft accounts with the expectation that any adjustments thereafter would be relatively minor.	
37.4	The FSAs advised that the process for the approval of the accounts was clear. Historically, Audit Committees have occasionally suggested a few minor alterations to the accounts but it was extremely rare for there to be any change to the numbers at that point. Governors would receive Grant Thornton's report in advance of the January Board meeting for consideration so that any issues arising from the audit could be raised via the Principal and Executive Director, Finance & Resources. The Executive Director, Finance & Resources, welcomed Governors comments by email on the draft accounts by the end of November.	
37.5	A summary was given of the outcomes arising from the accounts.  It had been a strong year despite Covid-19 and there was a surplus on Income and Expenditure (I&E), with an underlying positive performance.	
37.6	The WMPF pension situation was explained. The valuation is variable depending on stock market performance and is completely outside the College's control. This does not affect the College's cash levels. The College is one year into a 3-year agreement so there is no impact on deficit repair contributions. However, it does affect a couple of areas in the I&E: the actuarial valuation changed a £10 million asset to a £10 million net liability position. Sandwell is not the only college in this position. The AoC anticipates up to half of colleges will go into a negative net assets position because of this issue.	
37.7	Impact on the Santander bank covenant was explained. The College has a number of financial covenants on its loans and had achieved all of them except one: the need to have an overall positive net asset position. Santander have formally agreed it is not an issue and has removed the covenant going forward.	
37.8	The Executive Director, Finance & Resources, reminded that the College had been offered an additional loan in principle for Terry Duffy House. The bank were prepared to loan the College more money. Santander has been supportive of the College throughout.	
37.9	Despite the Bank's supportive stance, the FSA cites accounting rules which would mean the full Santander loan of £1.4m be shown in short-term creditors, i.e. due for repayment in under one year. The College had more	

	than sufficient cash reserves in the bank to repay the debt.	
37.10	This matter does not have a significant bearing on the position or outlay of the College.	
37.11 NFP		
37.12 NFP		
37.13 NFP		
37.14 NFP		
37.15 NFP		
37.16 NFP		
37.17	Discussion took place on the accounting technicalities relating to the issue and the FSA confirmed they would review this to see if it could be taken out of current liabilities.	
37.18	Governors suggested that further discussion take place between the Executive Director, Finance & Resources, the Principal and the FSAs outside the meeting.	
37.19	<p>It was recognised that the Audit Committee needs to recommend approval of the accounts to the Board at the January meeting. The Committee Chair was concerned with the proposition to hold same day meetings of the Audit Committee and the Board to approve the audited accounts and requested that the two meetings be held at least a few days apart. The Executive Management felt this would not be possible and proposed an alternative solution. Governors noted this proposal although did not feel it was ideal.</p> <p>Governors suggested that a short and straightforward report for the Board was prepared by the Executive Director, Finance &amp; Resources, including the agreed conclusion of the Audit Committee.</p>	Exec Dir, F&R
37.20	Governors to feedback comments on the accounts to the Executive Director, Finance & Resources, for her to report back to the Committee Chair on progress and report back via email to committee members.	Govs
37.21	The Principal stressed that the accounts would be ready for approval at the January Board meeting.	
37.22	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>• Governors received the update on the financial year-end 2019/20.</li> <li>• The Executive Director, Finance &amp; Resources, would prepare a short report to the Board including the agreed conclusion of the Audit Committee recommending approval of the accounts.</li> </ul>	Exec Dir, F&R
U20.38	<b>Draft Regularity Audit Self-Assessment Questionnaire 2019/20</b>	
38.1	The Executive Director, Finance & Resources, advised there had been no changes to the version presented to the June meeting.	
38.2	RESOLVED THAT: Governors considered the draft Regularity Audit Self-Assessment Questionnaire 2019/20.	

U20.39	<b>Draft Regularity Audit Self-Assessment Annex A and addendum papers</b>	
39.1	Annex A has been added this year to address Covid-19 matters. Decisions were made at SLT level and value for money was considered.	
39.2	RESOLVED THAT: Governors considered the draft Regularity Audit Self-Assessment Annex A and addendum papers.	
U20.40	<b>ESFA Funding Audit 2019/20</b>	
40.1	A late decision was made by the ESFA to conduct a round of funding audits. The College was randomly selected which was frustrating given that the College was last audited only a year ago.	
40.2	The ESFA has agreed to a number of flexibilities around timing of the audit as they recognise the pressure on the College team's workload. The funding audit to be conducted by PWC will therefore now take place at the end of January.	
40.3	The FSA advised that, due to the timing of the funding audit being after the proposed date of signing the financial statements, it would not be taken into account for the financial statements audit of 2019/20. Only issues known at the time of signing the accounts are factored in.  Should PWC's findings from the funding audit include anything material then it could impact the 2020/21 financial statements.	
40.4	RESOLVED THAT: Governors noted the ESFA funding audit would take place in January 2021.	
U20.41	<b>Internal Audit Annual Report 2019/20</b>	
41.1	This year the IAS's opinion was an Amber/Green rating which confirmed that the College had an adequate and effective framework for risk management, governance and internal control. However, the IAS work had identified further enhancements to the framework of risk management, governance and internal control to ensure that it remained adequate and effective.	
41.2	RESOLVED THAT: Governors would recommend the Internal Audit Annual Report 2019/20 to the Board for approval.	
U20.42	<b>ISA 240 Self-Assessment Questionnaire</b>	
42.1	Governors considered the questionnaire update.	
42.2	The Exec Director, Finance & Resources, gave assurance that all relevant systems and controls were in place.	
42.3	RESOLVED THAT: Governors considered the ISA 240 Self-Assessment Questionnaire.	
U20.43	<b><u>Risk Management Monitoring Report</u></b>	
43.1	The Risk Register would be discussed in detail at the December Board meeting. Projects are now included on the Risk Register as well as Covid-19. The Executive Director, Finance & Resources, outlined the amount of Covid-19 related work which had taken place and was being monitored closely. Work around cashflows has also taken place.	

43.2	<p>Governors referred to capital projects and asked if there was a need to define the Board's risk appetite. Discussion took place. Governors suggested a Risk Appetite Statement to support the Register be prepared by the Executive Director, Finance &amp; Resources.</p> <p>Discussion took place on whether this responsibility best lay with the Audit Committee or the Finance &amp; Strategy Committee – to be investigated.</p> <p>The Executive Director, Finance &amp; Resources, explained the College had an internal Project Board for capital matters and would raise the suggestion for a Risk Appetite Statement for further discussion and bring suggestions back to the Board.</p>	Exec Dir, F&R
43.3	Governors received the Risk Register in the context of the College's risk appetite.	
43.4	HE remains on the Risk Register as the process for deregistration is ongoing.	
43.5	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>Governors monitored and received the Risk Register in the context of the College's risk appetite.</li> <li>The Executive Director, Finance &amp; Resources, would raise the suggestion of a Risk Appetite Statement with the internal Project Board for capital matters.</li> </ul>	Exec Dir, F&R
	Governors thanked the auditors for attending.	
	The IAS and FSA left the meeting	
	<b>CONFIDENTIAL SESSION</b>	
U20.44 NFP	<b><u>Performance of Internal Auditors and Financial Statements Auditors 2019/20</u></b>	
U20.45	<b><u>Any Other Business</u></b>	
	There was no other business.	
U20.46	<b><u>Determination of confidential items</u></b>	
U20.47	<b><u>Date and time of next meeting</u></b> <b>Tuesday 16 March 2021, 8.00am</b>	

The meeting ended at 9.45am