

SANDWELL COLLEGE

Minutes of the Audit Committee meeting held on
Tuesday 20 June 2023, 8.00am

Present: T Sharma Independent Governor (Chair)
M Ashford Independent Governor
J Tew Independent Governor

In attendance: R Pickup Exec Director, Finance and Resources
S McKay MacIntyre Hudson
E Scotford Clerk to the Corporation
J Stevens Vice Principal, Quality
L Tweedie RSM

Apologies: G Pennington Principal

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| U23.15 | <u>Apologies</u> | |
| | Apologies were received from Graham Pennington. | |
| U23.16 | <u>Declarations of Interest</u> | |
| | There were no declarations of interest. | |
| U23.17 | <u>Minutes of previous meeting held on 7 March 2023</u> | |
| | RESOLVED THAT: Governors approved the minutes of the previous meeting held on 7 March 2023 for signing by the Chair. | |
| U23.18 | <u>Matters Arising</u> | |
| 23.18.1 | Minute No. U23.4.1 – process to manage pay costs – auditors suggestions for additional information – Governors noted there was a robust process in place but the Exec Director, Finance & Resources, would pick up next term with the auditors to discuss if there were any other areas of best practice which might be incorporated. Governors asked how pay costs were managed last year and how new posts were approved. The College explained that modelling took place based on historical information and evidence to support any growth posts. Fixed term contracts were used when possible to manage growth to avoid committing to permanent roles. Student numbers were not known until enrolment in September. | RP |
| 23.18.2 | Minute No. 5.2.3 – Health & Safety internal audit - DH to check with the H&S Manager that management action 3 had been actioned - the way that the weekly fire checks are signed off will be revisited to ensure they provide assurance that the tasks are being completed - review of procedure. It had a review date of January 2023 – Clerk to check. | Clerk |
| 23.18.3 | Minute No. 5.2.4 – high risk assessments were received by the Health & Safety Committee which was chaired by the H&S Manager. | |

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| 23.18.4 | Minute No. 9.2 – Exec Director, Finance & Resources, to confirm if the College was insured for the following types of fraud: purchase ledger fraud; employee – work in progress. RP to check. | RP |
| 23.18.5 | Minute No. 10 – changes to policies to be highlighted in future for ease of reference – would be actioned on an ongoing basis. | |
| 23.18.6 | Minute No. 10.2.1 – overall Risk Management, Business Continuity, Disaster Recovery Plan to be brought to the next meeting – deferred to the next meeting. Clerk to note for agenda. | RP Clerk |
| 23.18.7 | Minute No. 11.2 - IT manager to be invited to next meeting to present the final version of the Disaster Recovery Plan – deferred to next meeting. Clerk to note for agenda. | RP Clerk |
| 23.18.8 | Minute No. 11.3 – Committee Chair to speak individually to the IAS and FSA as part of his induction as Committee Chair – work in progress. | TS |
| U23.19 | <u>Internal Audit Reports 2022/23</u> | |
| 19.1 | Capital and Estates Management Arrangements | |
| | The internal audit report had been discussed in detail at the previous meeting. No further action needed. | |
| 19.2 | Health & Safety Compliance Framework | |
| | The internal audit report had been discussed in detail at the previous meeting. No further action needed. | |
| 19.3 | Business Continuity Processes | |
| 19.3.1 | Further work had been undertaken since the previous meeting's discussions to revisit the scope of the business continuity plan which needed to be wider as, overall, the Business Continuity Processes were very IT focused. This had looked at whether documented processes were in place, the arrangements for testing them, and lessons learnt from any issues which had arisen. This identified that the College did not provide training to its staff on the business continuity/disaster recovery plans; or undertake testing of the plans. | |
| 19.3.2 | The audit identified that a number of plans relied on key individuals for knowledge and experience. Some of the college teams were small and individuals hold core knowledge. This was rated Amber/Green as more work was needed on format, structure and training to remedy some of the risks identified. | |
| 19.3.3 | Governors noted it had taken a long time for the final report to be produced given the audit took place in November 2022. The auditors explained they had had to wait for the final information to be provided which was received in February. Thereafter, a meeting took place with the Exec Director, Finance & Resources. Governors pointed out the responsible owner and date were not included for the first action. The auditors apologised and would action. | LT |

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| 19.3.4 | <p>Governors referred to the lack of training on the business continuity plan mentioned in the report and sought clarification whether broad based training was the suggestion (as the College had over 600 employees) or a small number of key people.</p> <p>The internal auditors confirmed the recommendation was key people, those most likely to be involved.</p> | |
| 19.3.5 | <p>Governors asked if, when the next update on the report was given in November, would the auditors expect some real-life testing of the disaster recovery plan to have been undertaken as opposed to it being a theoretical document.</p> <p>The College clarified that the main priority was for each of the key areas to put their plans in place over the summer. It would not be sensible to run testing over the enrolment period and during the summer, staff levels were low because of the holiday period. It would be sufficient for reasonable efforts to have been made to plan the schedule of testing.</p> | |
| 19.4 | Governance and Risk Management | |
| 19.4.1 | <p>Brief introduction by John Tew as Chair of the Search & Governance Committee within whose remit the audit fell. The draft version of the report was presented, rather than the final version, due to a delay in the report being produced for review and response by management.</p> <p>The internal auditors apologised and explained this was due to severe sickness and absence in the team which had impacted on the quality assurance processes which took longer than intended.</p> | |
| 19.4.2 | <p>The governance aspect of the audit focused on compliance against the AoC Code of Good Governance. Considerable work had been undertaken by the Clerk, the Chair and Chair of Search & Governance in gathering evidence to demonstrate compliance.</p> | |
| 19.4.3 | <p>Management were reviewing the governance aspects of the report and would feed back to the auditors. The final report would be presented to the November meeting.</p> <p>Environmental responsibilities were the main area of focus. The new Exec Director, Finance & Resources, also had a view on the risk management register suggestions.</p> | |
| 19.4.4 | <p>Governors were aware that the AoC Code of Good Governance was in the process of being reviewed before being relaunched in the summer, but recommended that, given the amount of work undertaken against the current Code of Good Governance, it would make sense for the audit to conclude its work against the current version and asked what the internal auditors thinking was.</p> <p>The internal auditors were conscious the new Code was due to be issued and acknowledged the College had undertaken lots of detailed work to comply with the old Code but reassured that most of the principles in the current code would be reflected in the new one and was an in principle based format and allowed greater flexibility to reflect scope and scale.</p> | |
| 19.4.5 | <p>Governors noted the overall conclusion was Reasonable Assurance and asked if the internal auditors had any further comments.</p> | |

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| | The internal auditors explained that, of the risk management actions, some were suggested as good practice. They acknowledged that their risk registers were reported in many different styles but it was most important to identify and understand the risks. Examples of best practice had been included. | |
| 19.4.6 | <p>Governors asked why the College did not have an environmental plan and strategy in place.</p> <p>The College explained that there were certain processes and action plans in place and the college team had done a lot of work on this area but not as a cohesive whole. The Director of Estates Development and Capital Projects would take the lead to ensure people understood the priorities.</p> | |
| 19.4.7 | The Search & Governance Committee was due to review the draft report at its meeting on 26 June 2023. | |
| 19.5 | Progress Report | |
| 19.5.1 | The progress report outlined that, alongside the completed audits and the issue of the draft report on Governance and Risk Management audit, fieldwork had completed on: Follow up; Key Financial Controls – Creditors and Procurement; Learner Number Systems – Post 1 May Apprenticeships. | |
| 19.5.2 | An update on emerging issues was also included. The main issues for Governors' attention were: the ONS reclassification and the need to ensure policies, procedures and processes were updated to reflect this. These would be updated through the year and the auditors would monitor this as areas were audited. Post-16 ACOP – there were no specific changes to the remit of the Audit Committee but there were changes to the scope of regularity. Common issues around funding compliance were highlighted as well as making Governors aware that there had been an uptake in fraud in the sector because of the cost of living crisis. | |
| 19.6 | RESOLVED THAT: Governors received the internal audit reports. | |
| U23.20 | <u>Internal Audit Strategy</u> | |
| 20.1 | <p>Governors discussed the proposed IAS Strategy for 2023/24. Risk based assurance areas suggested were: Learner Number Systems; Framework for Compliance with Legal Requirements: Prevent Duty; Cyber Security Controls. There were elements of choice from 3 areas: Quality Assurance Systems; Curriculum Development and Management Arrangements; Marketing and Communications Framework</p> <p>Core assurance: Key Financial Controls – Income and Debtors</p> | |
| 20.2 | Governors supported the inclusion of learner number systems which was an important area of focus; the Prevent duty guidance which would explore whether the College's arrangements were in line with government requirements and preparations for the Protect duty; cyber security review as this continued to have the most significant impact on organisations. | |
| 20.3 | <p>Governors sought clarification on the usual number of audits carried out.</p> <p>The IAS confirmed that usually 5 were carried out plus a follow up.</p> | |

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| | The College stressed the need to be careful not to duplicate work and add value. | |
| 20.4 | Suggestions for the optional audit areas were discussed in detail: quality assurance systems; Curriculum Development and Management Arrangements; Marketing and Communications Framework; Key Financial Controls – Income and Debtors. | |
| 20.5 | <p>Curriculum development was an important area but there was so much uncertainty around BTECs and T levels, together with a potential change of government which could delay matters still further, that it was not felt to be an appropriate time for this audit.</p> <p>Marketing and communications were not a priority because of student numbers and recruitment success and the Ofsted result.</p> <p>Key financial controls income and debtors was deferred to another year.</p> <p>The other option was to have a contingency number of days in case any unexpected issues arose. The Exec Director, Finance & Resources, would discuss with his SLT colleagues outside the meeting with the suggestion for the final audit to be confirmed at the November meeting.</p> | |
| 20.6 | RESOLVED THAT: Governors received and approved the Internal Audit Strategy 2023/24 with the final audit to be confirmed at the November meeting. | |
| U23.21 | <u>Financial Statements Audit Approach 2023/24</u> | |
| 21.1 | The Financial Statements Auditors outlined: their planned approach for 2022/23: their team and independence; the audit scope and timetable; key audit risks; and fees. | |
| 21.2 | Governors' attention was drawn to 2 issues in particular affecting this year's audit approach: the revised international standard on auditing, ISO315 – colleges would not notice much difference but it would impact on the amount of documenting needed from the FSA: the ONS reclassification – in particular the compliance and reporting requirements which have been imposed on colleges and have created some confusion in the sector. | |
| 21.3 | <p>Significant audit risks which related to all colleges were: fraud risk in Revenue Recognition; Management Override; Related party transactions</p> <p>Other audit risk areas were more tailored and related to: Going concern; Entitlement and Recognition of Income; Risk of Clawback; Capital Expenditure; Pension Assumptions; Financial Reporting; Regularity.</p> | |
| 21.4 | Governors must ensure they have taken account of the bite sized guides about the impact of the ONS reclassification and the new rules the College had to follow. These had been circulated to all Governors with a requirement to review. This must be evidenced. The self-assessment questionnaire also contained new ONS requirements. There were increased cases in the sector of colleges developing a Reserves Policy. | |
| 21.5 | The overview included the detailed audit scope and a sector update. | |

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| 21.6 | RESOLVED THAT: Governors received and approved the Financial Statements Audit Approach 2023/24. | |
| U23.22 | <u>Risk Register</u> | |
| 22.1 | Governors monitored the Risk Register. There were not many changes to the previous version other than the higher scores being maintained around educational reform and cyber security, as well as the impact of changed grade boundaries. | |
| 22.2 | Governors asked if risks would increase the more money was spent on capital projects. The College explained the main risks relating to capital expenditure were: the instability of procurement costs and the demands on management time to focus on the projects in addition to their usual day to day work. | |
| 22.3 | RESOLVED THAT: Governors reviewed and monitored the Risk Register. | |
| U23.23 | <u>Health & Safety update</u> | |
| 23.1 | In response to a Governor's question, the College explained that the Health & Safety team consisted of 4 full-time equivalent members of staff. | |
| 23.2 | Governors referred to the number of building defects that were reported, with the second highest being Bennetts Hill. The College agreed that the number of building defects looked incorrect at 130 and would be checked. | JS |
| 23.3 | Governors noted the number of medical incidents and asked if the medical first aiders were all fully trained. The College confirmed they were and significant and regular first aid training took place. | |
| | LT left the meeting replaced by Karen Gentles, Audit Manager | |
| 23.4 | Governors noted the report reflected how seriously the College viewed health and safety. The College confirmed it was well integrated into its thinking. | |
| 23.5 | RESOLVED THAT: Governors received the health and safety update. | |
| U23.24 | <u>Policies</u> | |
| | There were no policies to review/approve. | |
| U23.25 | <u>Committee Terms of Reference</u> | |
| | RESOLVED THAT: Governors approved the Committee's terms of reference. | |
| U23.26 | <u>Committee effectiveness questionnaire</u> | |
| | RESOLVED THAT: Governors would complete and return to the Clerk the Committee effectiveness questionnaire. | |

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| U23.27 | <u>Any Other Business</u> | |
| | There was no other business. | |
| U23.28 | <u>Determination of Confidential Business</u> | |
| | There was no confidential business. | |
| U23.29 | <u>Date and Time of Next Meeting</u> | |
| | Tuesday 21 November 2023, 8.00am | |

The meeting ended at 9.35am