

SANDWELL COLLEGE

Minutes of the Audit Committee meeting held on
Tuesday 22 March 2022, 8.00am

Present: N Grace Independent Governor (Chair)
T Sharma Independent Governor
J Tew Independent Governor

In attendance: J Bailey Exec Director, Finance and Resources
S McKay MacIntyre Hudson
E Scotford Clerk to the Corporation
L Tweedie RSM

Apologies: G Pennington Principal

		Action
U22.1	<u>Apologies</u>	
	The Chair welcomed all present to the meeting including new member, Tony Sharma. Apologies were received from Graham Pennington.	
	RESOLVED THAT: Apologies were accepted.	
U22.2	<u>Declarations of Interest</u>	
	There were no declarations of interest.	
U22.3	<u>Minutes of previous meeting held on 23 November 2021</u>	
	RESOLVED THAT: Governors approved the minutes of the previous meeting held on 23 November 2021 for signing by the Chair.	
U22.4	<u>Matters Arising</u>	
22.4.1	Minute No. U51.2.3 – advisory recommendation was that a large debtor, Birmingham City Council (BCC), be monitored – update requested by Governors – the College confirmed that the debt had now been paid. The College struggles to obtain answers or engagement from BCC and the SENAR team about high needs. A new Director of Children’s Services was now in place and the issue regarding difficulties in contact and payment had been raised with her by a number of other Principals. The Exec Dir, Finance & Resources, would pursue early senior level engagement to secure payment.	
	SM arrived	
22.4.2	Minute No. U51.2.9 – pension valuations – the latest triannual valuation was due this year. The College explained that the actuaries would commence their work on 31 March 2022 would take approximately 10 months during which time the actuaries would assess how much risk the College’s pension scheme presented. The impact of the valuation was likely to be known by this time next year. The Exec Dir, Finance & Resources, planned to engage Hymans to conduct an independent review of the information.	

	<p>Next year's budget included the employer's pension scheme contributions which stood at 19.5%, approximately £700k per year.</p> <p>Years 2 and 3 would probably make an assumption that contribution levels would stay as they were. There would be no financial impact on the year the budget was currently being set for.</p>	
22.4.3	Minute No. 51.2.8 – potential release of the Trust entitlement fund of £69k held by Sandwell Council – the Exec Dir, Finance & Resources, had contacted the LA. Following a change of Director of Children's Services at Sandwell LA, senior staff at the LA were minded to transfer the fund to the College bank account to benefit current students.	
22.4.4	Minute No. 54.4 – LIBOR summary paper accompanied by the Eversheds document to be presented to the Board – actioned.	
U22.5	<u>Internal Audit reports 2021/22</u>	
	Governors were pleased to note a range of financial and non-financial audits had been carried out.	
22.5.1	Safeguarding Framework – Harassment and Sexual Misconduct 1.21/22	
22.5.1.1	Harassment and Sexual Misconduct was an important part of safeguarding. Colleges had long been responsible for safeguarding students but this area had increased in prominence following the Me Too website and Ofsted's subsequent review which had raised a number of recommendations.	
22.5.1.2	The scope of the audit included: policies and procedures, communication, training, engagement with students; students' awareness of how to raise concerns; the process for handling a disclosure – how it was tracked and monitored and how students were supported.	
22.5.1.3	The audit had resulted in a positive outcome with 2 Low priority recommendations which had been easily remedied. There was more focus on sexual harassment and misconduct on the website with a link to policies and procedures. At the time of the audit, the College had also introduced a questionnaire on safeguarding. All steps taken by the College to address its responsibilities relating to Harassment and Sexual Misconduct demonstrated it had considered and addressed these additional aspects of safeguarding.	
22.5.1.4	<p>Governors asked if the blue flag items in the report would be followed through and updates given to Governors in due course.</p> <p>The College confirmed that these items had already been actioned as this was an area of significant focus for the College and would be covered in the internal auditors Follow Up report. This was important to the College from many angles: morally and for Ofsted preparation. It was good to have validation and support from RSM of the areas of focus.</p>	
22.5.1.5	RESOLVED THAT: Governors received the Safeguarding Framework – Harassment and Sexual Misconduct audit.	
22.5.2	Student Journey/Experience Arrangements 2.21/22	
22.5.2.1	The audit had focused on how the College maintains contact with students from the time of first enquiry through to the end of their first term.	

	Significant attrition could happen as students accept multiple offers. Students have to be retained for at least the first 6 weeks for colleges to qualify for core 16-18 funding so it is important the steps are managed well to benefit the student and it is critical to the financial sustainability of the College.	
22.5.2.2	<p>The report was very positive, other than a low number of minor admin related issues.</p> <p>Governors recognised these were admin type queries rather than whole process issues but asked if there were any improvements that could be made to the admin side.</p> <p>The College explained that the number of learners coming into the process was around 6-7,000 and it was inevitable that during the application process there might be some minor issues as a result of human error. Funding related items received a high level of checking the high standard of which was borne out by both sets of auditors and the PWC audit.</p>	
22.5.2.3	<p>Governors noted the absence of CRM and asked if that was typical in FE or was the College out of sync with the rest of the sector.</p> <p>The auditors reported that not having CRM was common in the FE sector. Not having procedures was less common but, because the College's learner cohort was consistent at start and end points, this indicated it was well managed enough not to warrant any action this time.</p>	
22.5.2.4	<p>Governors asked if the College was losing students by not keeping in touch with them from the point of application to enrolment.</p> <p>The College explained that its ethos was to ensure that every learner who wanted to join the College did so. It was key to the College to bring them in and ensure they did not lose interest between application and enrolment. The College invested in many activities to maintain their interest and link with them around enrolment time, including Open Days. The lack of a documented process related more to the College not wanting to be rigid in its approach, rather than a lack of focus. It was resistant to writing a specific process so as not to stymie innovative thinking. If Governors or the auditors supported the introduction of a process the College would do so but it did not believe it was necessary as the continued increase in student enrolment numbers was testament to the success of its existing approach.</p>	
22.5.2.5	In response to a Governor's query about the requirement for potential students to apply in advance, the College explained inclusivity was fundamental to its culture so it welcomed those who had applied in advance but it also welcomed walk-ins and would work hard to find a course suitable for them.	
22.5.2.6	RESOLVED THAT: Governors received the Student Journey/Experience Arrangements audit.	
22.5.3	HR Controls – Training and Development 3.21/22	
22.5.3.1	The scope of the audit was explained. It had focused on staff personal development.	
22.5.3.2	Overall, it was a very positive report with just a couple of Low priority actions which were outlined.	

22.5.3.3	<p>In response to a Governor's query, the auditors explained that capability was usually a standalone policy, approved at either Board or Committee level.</p> <p>Approval of the Capability Policy to be added to the next Finance & Strategy Committee agenda. Clerk to note for agenda.</p>	Clerk
	Governors noted that, in addition to the reports to Board, they usually received the weekly Staff Matters newsletter which they found useful.	
22.5.3.4	RESOLVED THAT: Governors received the HR Controls – Training and Development audit.	
22.5.4	Progress Report 2021/22 incl. longer term strategy	
22.5.4.1	Other audits planned included: Learners with High Needs Learner Number systems; key financial controls; capital and estates management processes; and IT cyber security controls. These reports will come to the next meeting.	
22.5.4.2	RESOLVED THAT: Governors received the Progress Report 2021/22.	
22.5.5	Benchmarking Report	
22.5.5.1	<p>The trend was favourable for the College, all 4 reports were rated Green. It was good to have reasonable assurance so areas could improve.</p> <p>The College was outperforming the sector re. levels of assurance and the number and priority of management actions. This was very positive and reflected well on the College's control environment.</p>	
22.5.5.2	Governors were pleased to note the report and recognised it was important to understand the College position compared to the sector.	
22.5.5.3	<p>At the previous Audit Committee meeting, Governors had asked for the forward planning for audits in the coming years which were now included in the Audit Strategy and Governors were asked if they focused on the right areas.</p> <p>Governors were satisfied that the areas were well thought out and offered a balance between financial and non-financial areas.</p>	
22.5.5.4	Governors would formally approve the audit plan at next meeting. Clerk to note for agenda.	Clerk
22.5.5.5	In answer to a Governor's query, the College reminded that apprenticeships had been an important focus for the funding audits in 2019 which resulted in a number of actions and recommendations which had since been implemented and there had been little change since that time.	
22.5.5.6	<p>Discussion took place regarding T levels. In recognising this was a pilot year, Governors believed that it would be more useful to audit this area at a later point when they were more established.</p> <p>It was decided that apprenticeships should be audited next year and T levels the following year.</p>	
22.5.5.7	The FSA would adopt a controls based approach and would highlight any issues arising and recommend which ones to include.	

22.5.5.8	RESOLVED THAT: Governors received Benchmarking Report.	
22.5.6	Summary report on outstanding actions from internal audit	
22.5.6.1	<p>It was noted that the internal auditors follow up report was not due until May which would pick up that some of these actions had now been cleared but they remain on the summary report until then.</p> <p>It was anticipated that all GDPR actions were now completely concluded.</p>	
22.5.6.2	Various fraud policies had been updated and RSM's information on fraud was now included in the College's fraud training.	
22.5.6.3	Various staff training had been focused on Harassment and Sexual Misconduct due its importance to the safeguarding agenda.	
22.5.6.4	Payroll processes related to procedural items which were easy to address and resolve.	
22.5.6.5	The Mental Health Policy had been drawn up and would be reviewed by the Finance & Strategy Committee. Clerk to note for agenda.	Clerk
22.5.6.6	RESOLVED THAT: Governors received the summary report on outstanding actions from internal audit.	
U22.6	<u>White Paper and implications for governance</u> Presentation by LT (copy attached to the minutes for reference)	
22.6.1	The Schools and Post-16 Education Bill had cleared the House of Commons and was in the House of Lords until it received Royal Ascent.	
22.6.2	There were 3 main sections to the Bill: skills and education for work; quality of provision; protection for learners.	
22.6.3	The Lifelong Learning Entitlement was highlighted which was a pot of money people would receive throughout their adult life to spend on learning. This was due to go out to separate consultation closing May 2022. The Lifelong Learning Entitlement would not come in until 2025.	
22.6.4	The requirements of the Local Skills Improvement Plans were highlighted and discussed.	
22.6.5	<p>Governors referred to the definition of an employer representative body and foresaw a number of difficulties. One suggestion was that Chambers of Commerce could be involved but Governors queried if they were representative enough as larger employers were the dominant force whereas there were a large number of SME companies in the area.</p> <p>The College was far more outward facing now than it had been historically but the structure of the employer engagement body and how the College engaged with it would be a challenge. The College could do as much as it could but if it was in the hands of others and that body was not efficient and not taking the right approach and had unreasonable demands, it would lead to problems.</p> <p>The College acknowledged it could not address all the risks this might pose but it could focus on engagement and trying to understand, through its work with employer,s what to put in place and where to focus its attention. Its new capital projects, e.g. the Engineering Centre in West Bromwich and Towns Fund projects stakeholder consultation had led to</p>	

	greater engagement with the employer community locally. The College had also invested in its Skills Division to drive up T level placements. The College would continue to work with the LA through the capital projects to help improve relationships still further.	
22.6.6	RESOLVED THAT: Governors received an update on the Schools and Post-16 Education Bill.	
U22.7	<u>The scope of work of audit committees and internal audit – DfE guidance</u>	
22.7.1	The guidance was supported by the Post-16 ACOP. However, whereas the ACOP was regulatory, this was guidance intended to provide detail for the 'must' requirements in the code.	
22.7.2	The core role of the Audit Committee was outlined: to scrutinise the robustness of the control framework and assess its application in practice.	
22.7.3	<p>The responsibilities of the Committee were highlighted, particularly: the number and frequency meetings per year; skill set of the committee's membership; the need to provide independent assurance to the Board; its role in investigating complaints; the Committee Chair's role in the oversight of investigation of matters, including suspected internal fraud.</p> <p>A key responsibility, arising from the findings of FE Commissioner's investigations, was for the Audit Committee to warn the Board where there were matters of concern.</p>	
22.7.4	The importance of the Audit Committee's opinion at year end was detailed which needed to report on: the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes (including any subcontracting arrangements) for the effective and efficient use of resources, solvency, and the safeguarding of assets. This formed part of the Committee's Annual Report which was sent to the ESFA to create assurance for the accounts as a whole.	
22.7.5	The importance of an internal and external audit service were explained as well as the focus on ensuring committee papers were fit for purpose to maximise the efficiency of the Committee.	
22.7.6	The Committee's role in risk management and ensuring value for money was described, along with suggest areas of work for an Audit Committee.	
22.7.7	Governors noted that the Committee was already compliant in most areas of the requirements.	
22.7.8	<p>Governors queried the responsibility for effective and efficient use of resources and the potential link to investment decisions and sought clarification of what was being asked of the Audit Committee as the College had a separate Finance & Strategy Committee.</p> <p>The College acknowledged that resources was a broad phrase and Governors main role was to ensure there was a framework and systems in place. The Finance & Strategy Committee minutes were presented to the Board. The Audit Committee also received an annual Value For Money report.</p> <p>Governors also receive assurance that resources were being used appropriately through the audit of financial statements which covered</p>	

	cash, the balance sheet, and income and expenditure. HR reports from the Exec Director, HR and OD, informed Governors of staff resources and internal audits were conducted on other areas of non-financial activity.	
22.7.9	The internal audit plan was driven by the Corporation Risk Register and was determined by the Board's risk appetite. The IAS assess the Risk Register to confirm it is correct.	
22.7.10	The suggested areas of work for an Audit Committee were discussed. Examples of new areas of activity to be looked at by the IAS were given, e.g. reviewing of key financial controls on a cyclical basis.	
22.7.11	The FSA advised that the responsibilities of the Audit Committee had not changed drastically.	
22.7.12	The FSA pointed out that the suggested areas of work for audit committee would take 4-5 years to complete on the work cycle if all were selected so, as suggested by the Regulator, the Committee should consider whether to include them or else justify why they should not be included.	
22.7.13	Governors to consider if they receive enough information to conclude their opinion at the year end.	
22.7.14	Governors suggested there may be a need for a certain amount of interaction between Audit and Finance & Strategy Committees to ensure all necessary areas were covered. The College pointed out that Finance & Strategy Committee minutes were presented to the Board with the opportunity for Governors to raise any questions as they saw fit. If it was believed that the framework was not appropriate it would be the Audit Committee's role to highlight that. Clerk to review Terms of Reference for Audit and Finance & Strategy Committees to ensure they remained fit for purpose. Clerk to action.	Clerk
22.7.15	Governors asked the FSA if they were receiving the information they needed. The FSA confirmed they were and they were assured by the 3 positive audit reports.	
22.7.16	More updates on the Bill would be provided in due course.	
22.7.17	RESOLVED THAT: Governors noted the DfE guidance on the scope of work of audit committees and internal audit.	
U22.8	<u>Health & Safety update</u>	
22.8.1	Termly updates were provided now for each meeting.	
22.8.2	The changing Covid environment had impacted, restrictions had eased but the College continued to be mindful and vigilant and temperature monitors and face masks remained available.	
22.8.3	Governors queried the fire procedures at Central Campus and asked for clarification of the installation of a double knock system.	

	Exec Dir, Finance & Resources, to check. The system was put in place to mitigate against false fire alarms acknowledging there was a balance between being cautious of disruption but ensuring effective fire alarms.	Exec Dir, Fin & Res
22.8.4	Governors noted West Plaza reported issues from October and asked if they had been addressed now and if not the reasons why and progress made should be stated in the report.	
22.8.5	Governors noted that 93 educational visits were in process and asked why they were all approved by Exec Dir, Finance & Resources. The College explained that it had been working to standardise trips due to variations in practice. There was now consistency across all campuses so the Exec Dir, Finance & Resources, would not be required to approve them all in future but would retain responsibility for approving residential and overseas trips to ensure they were properly administered.	
22.8.6	RESOLVED THAT: Governors received the health and safety update.	
U22.9	<u>Risk Register</u>	
22.9.1	There were no changes to the version presented to the March Board meeting. The Board had suggested adding a separate risk around energy inflation and reviewing whether the risk ratings related to Covid should be reduced.	
22.9.2	Risks to be aligned to the internal audit framework programme. Exec Dir, Finance & Resources, and IAS to consider before the next meeting.	Exec Dir, Fin & Res/ IAS
22.9.3	Governors asked if the highest risks remained the same. The College explained T levels would retain a high risk rating for some time.	
22.9.4	Governors noted current pressures on finances arising from cost of living pressures, utilities costs and potential increased pension contributions and asked how this would affect the pay award. The College advised that it was in the early stages of budget setting for next year and all those issues would be considered.	
22.9.5	Governors asked if there was a mismatch between the mitigations for Risk 6 - IT fails to meet the needs of teachers, students and support staff IT - and Risk 9 - Cyber security – Failure to protect against increase threat of cyber attacks. The College agreed to review the mitigations to ensure they were appropriately focused.	Exec Dir, Fin & Res
22.9.6	Risk 25 - Impact of building cladding review, government intervention. Possible removal of existing cladding – Governors asked why responsibility sat with the Exec Dir, Finance & Resources, rather than the Director of Estates. The Exec Dir, Finance & Resources, explained this was historic as there had previously been no Director of Estates, however, the team had now been expanded to include this role. Risk ownership to be updated to include the Exec Dir, Finance & Resources and the Director of Estates as there would continue to be a crossover of responsibilities for this risk as	

	there was no separate risk register for estates issues so they came under finance risks.	
22.9.7	<p>Cladding had a higher profile following the Grenfell fire and risk related more to current resources rather than new build planning.</p> <p>Governors asked if this would be mitigated through compliance with building regulations.</p> <p>The College explained that a review of the fire strategy, particularly regarding cladding, much of the guidance focused on residential buildings. The College's strategy was evacuation - in high rise building there were different strategies.</p> <p>Governor asked who approved the College's fire risk assessment.</p> <p>The College explained that was owned by the Health & Safety Manager, who also conducted all risks assessments for the College and who reported directly to the Vice Principal. The strategy was reviewed annually as part of the insurance review.</p> <p>Fire doors had been replaced recently as recommended by the external review.</p>	
22.9.8	RESOLVED THAT: Governors received and monitored the Risk Register.	
U22.10	<u>Insurance Cover Annual Report</u>	
22.10.1	The College's insurance arrangements and costs were outlined.	
22.10.2	Governors acknowledged that UMAL have served the College well so agreed it was sensible to remain with them.	
22.10.3	<p>Governors asked if there were any outstanding recommendations from the insurers the College needed to address.</p> <p>The College believed that all recommendations had been actioned but would check.</p>	Exec Dir, Fin & Res
22.10.4	<p>Governors pointed out the insurers needed to be notified as the capital projects were completed so they could be added to the insurance schedule.</p> <p>The College confirmed this took place, e.g. the new facilities for Cadbury Phase 1 were included at the point of handover. New builds would be the legal obligation of the builders until they were completed.</p>	
22.10.5	<p>Governors asked if any insurance cover recommended by UMAL had not been taken out.</p> <p>The College advised that it had considered their cyber security cover but did not believe it was comprehensive enough so took out the policy with a different provider.</p> <p>Their vehicle policies are sub-contracted to another company.</p> <p>The College has sought alternatives for areas UMAL did not cover.</p>	
22.10.6	RESOLVED THAT: Governors received the insurance cover annual report.	

U22.11	<u>Policies</u>	
	There were no policies to review/approve.	
U22.12	<u>Any Other Business</u>	
	There was no other business.	
	Governors thanked the auditors for their advice.	
U22.13	<u>Determination of Confidential Items</u>	
	There were no confidential items.	
U22.14	<u>Date and Time of Next Meeting</u>	
	Tuesday 21 June 2022, 8.00am	

The meeting ended at 9.55am

Signed: (Chair)

Date: 21 June 2022