

SANDWELL COLLEGE

**Minutes of the Audit Committee meeting held on
Tuesday 23 November 2021, 8.00am**

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

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

Apologies: G Pennington Principal

Absent: G Bassi Independent Governor

		Action
U21.44	<u>Apologies</u>	
	Apologies were received from Graham Pennington. Gurvinder Bassi did not arrive.	
	RESOLVED THAT: Apologies were accepted.	
U21.45	<u>Declarations of Interest</u>	
	There were no declarations of interest.	
U21.46	<u>Minutes of previous meeting held on 15 June 2021</u>	
	RESOLVED THAT: Governors approved the minutes of the previous meeting held on 15 June 2021 for signing by the Chair, subject to a minor amendment to U21.33.1.	
U21.47	<u>Matters Arising</u>	
47.1	Minute No. U21.38 – health and safety to be a standing agenda item for the Committee – actioned.	
U21.48	<u>Internal Audit reports 2020/21</u>	
48.1	Payroll – 4.20/21	
48.1.1	The approach to the audit was explained and had focused on: starters, leavers, changes to payroll and testing controls and approval mechanisms. The audit resulted in a Substantial level of assurance, with 2 Medium and 3 Low priority actions.	
48.1.2	Governors pointed out there were a number of items not approved or where the approval process not working as well as it should and asked if that would impact the overall view of Substantial assurance. The IAS explained that, from the testing, it was determined that the issues related to staff not evidencing that the review process had taken place rather than the process not being carried out.	

	<p>The College pointed out the data flow between the manager in charge of the person, the HR team and the Payroll function had been reviewed and refined to improve efficiency. The College constantly worked to improve processes where necessary. The College noted the Substantial assurance was reassuring given a new payroll had been implemented. The new system provided much better quality of information internally and the instances of errors were much reduced.</p> <p>In response to a Governor's query, the College advised that the number of overpayments were low in value and time but it took a zero tolerance approach to errors. There had been no errors this financial year. Overpayments would be managed through the usual debt write-off process. There were none over £5k.</p> <p><i>Post meeting note: the overpayment amounts unrecovered were confirmed as: £1,171.40 in September 2020, and £1,060.68 in September 2021.</i></p>	
48.1.3	RESOLVED THAT: Governors received the Internal Audit Report on Payroll.	
48.2	Student Mental Health and Wellbeing Arrangements – 5.20/21	
48.2.1	This area had increased in prominence since the Covid situation, with all parts of the education sector affected. This was creating pressure on resources. The audit looked at evidence in place against the AoC Charter, a good practice charter relating to mental health and wellbeing,.	
48.2.2	The audit resulted in Substantial assurance, with 2 Medium and 3 Low priority actions.	
48.2.3	The 2 Medium actions were outlined: one related to self-assessment – process underway at the time of the audit. The IAS would ensure this was concluded and actions taken forward; one suggested consideration be given to establishing mandatory mental health and wellbeing training for staff. This was not a legal requirement but it was becoming more common for this training to be mandatory as it was a facet of safeguarding.	
48.2.4	Governors were pleased to note the audit, which was a different area for internal audit focus.	
48.2.5	Governors noted the considerable time, focus and effort the education sector needed to provide for pastoral care and were pleased to note the College was being proactive in this area.	
48.2.6	Governors were advised that the College had been shortlisted for the Beacon Award in mental health provision, a key achievement. Further details would be provided at the December Board meeting.	
48.2.7	Governors congratulated the College on its work in this area, particularly during the Covid situation.	
48.2.8	RESOLVED THAT: Governors received the Internal Audit Report on Student Mental Health and Wellbeing Arrangements.	
48.3	Internal Audit Progress Report 2021/22	
48.3.1	The first audit was underway. The Internal Audit Plan was currently on track.	

48.3.2	<p>The AoC Code of Good Governance had introduced a stronger focus on sustainability. The sector would focus more on specific requirements so a Sustainability Strategy and reporting mechanism would need to be in place as this would be included in the annual financial statements. This would be brought to Governors' attention.</p> <p>The College confirmed that it had a Green Working Group. Consideration was being given to an Electric Car Policy and salary sacrifice scheme. Colleges were now required to report their energy consumption. The College had conducted a number of activities around the COP26 Conference. Green issues were high on the College's agenda.</p>	
48.3.3	<p>Governors noted that the environmental agenda was wide-ranging and asked if this would become an additional responsibility of the Committee or be dealt with by the Board.</p> <p>The College confirmed it was the Board's responsibility to set a strategy for environmental initiatives. Audit reports on the initiatives would come through the committee. The strategy for environmental matters would be included in KPIs reported to the Board. It may merit significant Governor attention and time.</p> <p>The FSA advised sustainability responsibilities were formalised in the academy sector and would be, in time, for the college sector. The FSA recommended information should start to be captured now and published on the College website. This would provide a head start for when the information had to be included in the financial statements to be audited.</p> <p>The College confirmed that the information was gathered, reported and managed internally. There were a number of changes to assets and additional premises from an energy and carbon perspective. The information was being used internally to drive decisions and would need to be managed accordingly when it was made available to a wider audience.</p> <p>Governors did not believe there was a need for a separate committee on sustainability and this responsibility could be included in the remit for an existing committee.</p>	
48.3.4	<p>The UK Food Information Amendment, Natasha's Law, was outlined which related to additional requirements to list ingredients and where responsibility lay for catering which was outsourced or produced on site.</p> <p>The College would ensure it was compliant with the new requirements. It had purchased a new food labelling machines. The Catering Manager was very focused on this issue.</p>	
48.3.5	RESOLVED THAT: Governors received the Internal Audit Progress Report.	
48.4	Summary report on outstanding actions from internal audit	
48.4.1	The number of outstanding actions were low, with many now Green. The only older actions related to GDPR which would be reviewed by February 2022. Mandatory training for fraud awareness and being developed by the Finance team to provide a better quality training offer than could be sourced externally.	
48.4.2	RESOLVED THAT: Governors monitored the outstanding actions from internal audits.	

U21.49	<u>Value for Money 2020/21</u>	
49.1.1	Governors noted the actions taken by the College in 2020/21 to achieve value for money, and its aims for 2021/22.	
49.1.2	Churchills Cleaning had been brought in-house during the year. This had been a positive move with financial savings achieved and good staff performance maintained.	
49.1.3	The review of the finance system, Business World, had been put on hold. The new Corporate Information team would be involved in the review.	
49.1.4	<p>The College's utilities had been reviewed. The College had utilised the Yorkshire Purchasing Organisation (YPO) to procure competitive contracts across all campuses.</p> <p>Governors noted the recent upheaval in the energy market and asked if the cost of utilities needed regular monitoring.</p> <p>The College advised that the risk of high and unpredictable cost increases was mitigated as much as possible during this time by its use of the YPO and larger suppliers.</p>	
49.1.5	Trips had been reviewed as there was a range of practice across departments. Trip budgets had been reset. This would achieve better VFM as more students would have the opportunity to go on trips which was important post-Covid.	
49.1.6	Right Time Recruitment was an investment in the Bennetts Hill site. The College would monitor the contract to ensure it provides VFM.	
49.1.7	Standing item - IT procurement. The IT department now came within the remit of the Exec Director, Finance & Resources.	
49.1.8	RESOLVED THAT: Governors received the Value For Money report 2020/21.	
U21.50	<u>Health and Safety update</u>	
50.1.1	<p>The College had received a standard visit by the insurers which had previously been delayed by the Covid situation. The current insurance company had served the College well during Covid so it did not intend to change provider at present. Quality of service would offset any slight difference in premium price. This year's premium was not substantially higher than the previous year.</p> <p>Governors agreed with this approach.</p>	
50.1.2	RESOLVED THAT: Governors received a health and safety update.	
U21.51	<u>Financial Year-End 2020/21</u>	
51.1	Regularity Audit Self-Assessment Questionnaire	
51.1.1	The FSA were satisfied with the questionnaire and recommended it be presented to the Board for approval.	

51.1.2	RESOLVED THAT: Governors considered the Regularity Audit Self-Assessment Questionnaire and would recommend it to the Board for approval.	
51.2	Financial Statements and Regularity Audit - Audit Findings Report 2020/21 incl. - Letter of Representation	
51.2.1	The FSA commented that their first audit with the College had been a smooth process and thanked staff for their support and hard work, in particular the Finance team and Roxana Pal, Director of Information Services.	
51.2.2	The FSA presented their Audit Findings Report (AFR). Matters arising from the audit were outlined. A controls-based approach had been taken and signed off. In relation to capital expenditure, only minor points had been raised around application of the Depreciation Policy. There were no major issues relating to the risk of clawback. Governors' attention was drawn to a large balance held within creditors that related to potential repayments due to the ESFA: £418k. However, income was now being clawed back on a monthly basis through deduction from remittances so this was not a concern. There were no material issues to highlight regarding going concern but the FSA could not formally confirm this until the financial statements had been signed off by the College. A comprehensive going concern update was provided. There were no significant issues to raise relating to key financial controls.	
51.2.3	The difference between the 2 sets of auditors' approach to the ILR was explained. The FSA took a high level overview, reviewing the control mechanism of 3 key areas: data validation, PDSAT, and source documentation. The College was in the upper quartile with near to a 100% check on all student data throughout the year. The FSA could place reliance on the College's systems. Ongoing entitlement was a strong area of control. An advisory recommendation was that a large debtor, Birmingham City Council, be monitored.	
51.2.4	The FSA observed that, in relation to building alterations depreciation rates, a large amount from 2011, £2.2 million was to depreciate over 50 years. The FSA recommended that the depreciation periods of subsequent alterations were reviewed, and the useful life of any new alterations were assessed on a component basis, and depreciated accordingly.	
51.2.5	The FSA noted that a couple of related party transactions were awaited from Governors.	
51.2.6	Governors thanked the FSA for their hard work in their first year and noted that the audit had gone very well and there were no issues of concern.	
51.2.7	Governors queried the large debtor, Birmingham City Council, noting the delay had been caused by a change in personnel but recommended that this be pursued. It was not anticipated to be a major issue as the College had a contract with BCC for the supply of high needs funding but Governors would welcome the debt being settled by the time the accounts were signed off by the Board.	

51.2.8	<p>Governors referred to the Trust Entitlement Fund of £69k held by Sandwell Council, noting that this was an historic issue and asked if that money might be able to be released to the College now.</p> <p>Governors were advised that the Council had approached the College to resolve this matter. It would be able to be used to supplement the College's bursary funding as the principles of the endowment were to benefit learners.</p>	
51.2.9	<p>Governors asked what were the implications regarding pension liability moving forwards.</p> <p>The College had taken independent advice from Mercers on the assumptions used to calculate pensions liabilities in the 2020/21 accounts as the basis for 2021/22 accounting charges. In terms of the 2021/22 budget, the accounting charges would be impacted by these assumptions but also by factors outside the College's control, e.g. corporate bond yields. Hence the budget pensions charges figures would not be restated until Summer 2022.</p> <p>The ESFA and banks exclude pension liabilities/charges in their assessment of the College's financial performance. The College aims for a surplus position including pension accounting charges but that was becoming increasingly difficult. The College took a more prudent approach than other colleges.</p> <p>The IAS explained how pension liabilities had to be reported in the accounts.</p> <p>It was noted that the next LGPS triannual valuation was due for 2022 which would have a more direct impact on the College in that this was the process where cash contributions were set – this would be monitored carefully.</p>	
51.2.10	<p>In response to a Governor's question, the College explained how its financial health rating was determined. The 3 key pillars of the College strategy were growth, solvency and improvement. The College had been successful in these areas and had 8 years of growth and increasing student numbers, with a pay award able to be made every year, and a healthy cash balance.</p>	
51.2.11	<p>Governors asked what was the tipping point for the pension scheme beyond which it became unsustainable.</p> <p>The auditors pointed out that the College was not in a position to control the issue and it would be as important to monitor the tri-annual valuation in 2022 but the issue was across the FE sector.</p>	
51.2.12	<p>RESOLVED THAT: Governors received and would recommend to the Board for approval the Audit Finding Report 2020/21 and the Letter of Representation.</p>	
51.3	<p>Going Concern</p>	
51.3.1	<p>Governors received an update on going concern and were assured that the College could meet its liabilities.</p>	
51.3.2	<p>RESOLVED THAT: Governors noted that the College remained a going concern.</p>	

51.4	Internal Audit Annual Report 2020/21	
51.4.1	The final version was circulated separately to the main pack as, on further reflection, the IAS had improved their overall annual opinion to the highest level of assurance with all frameworks being considered effective.	
51.4.2	RESOLVED THAT: Governors would recommend the Internal Audit Annual Report 2020/21 to the Board for approval .	
51.5	ISA 240 Self-Assessment Questionnaire – update	
	RESOLVED THAT: Governors noted the ISA 240 Self-Assessment Questionnaire.	
51.6	ISA 540	
	RESOLVED THAT: Governors noted the ISA 540.	
51.7	Reconciliation of Period 12 Management Accounts (July 2021) to the Financial Statements 2020/21	
	RESOLVED THAT: Governors received and noted the Reconciliation of Period 12 Management Accounts (July 2021) to the Financial Statements 2020/21	
51.8	Members Report and Financial Statements 2020/21	
51.8.1	The AFR discussion was noted.	
51.8.2	RESOLVED THAT: Governors would recommend the Members Report and Financial Statements 2020/21 to the Board for approval .	
51.9	Draft Annual Report of the Audit Committee to Board of Governors and the Accounting Officer 2020/21	
	RESOLVED THAT: Governors approved the draft Annual Report of the Audit Committee.	
U21.52	<u>Risk Register</u>	
52.1	There had been no major changes. Pensions would remain a standing risk on the Register.	
52.2	<p>Governors noted that Covid risks had changed since the start of the pandemic and safety measures had been updated accordingly in college. The Health & Safety Manager closely monitored government guidance and advised appropriately. The College was taking a more conscious approach than the guidance suggested. The College would continue to encourage mask wearing but this was proving challenging as it was not mandatory. The College had introduced small incentives for students to continue to do so. A vaccine clinic was operational in the College.</p> <p>Governors recognised that compliance relied on personal responsibility.</p>	
52.3	Governors referred to Ofsted training for Governors and staff and noted that a session would be run at the December Board meeting.	

52.4	<p>Risk 14 – education reform – Governors recognised this would be a standing risk but queried if the score of 20 was correct given the quality of the College.</p> <p>The Exec Director, Finance & Resources, would refer the risk back to SLT for review, and pointed out the removal of BTECs had been given a one year stay of execution. The new Secretary of State's final decision was awaited.</p>	
52.5	RESOLVED THAT: Governors monitored and noted the Risk Register.	
U21.53	<u>Policies/procedures</u>	
53.1	There were no policies or procedures to review/approve.	
53.2	Governors thanked the auditors for their work.	
	LT and SM left the meeting	
U21.54	<u>LIBOR</u>	
54.1	The background to the LIBOR transition was explained. The banks were taking a cautious approach and concluded the risk was minimal. They advised that the effect was minimal as the College's rates were fixed but the matter was brought to Governors' attention in the interests of transparency.	
54.2	<p>The College had challenged what would be the risk of letting the current arrangements run on. Eversheds had pointed out that the documents would refer to an entity that no longer existed.</p> <p>The College had strong relationships with Santander and Lloyds, so believed it was better to sign these transitional papers in the context of working in partnership with the banks.</p>	
54.3	Governors understood the bank's position and noted that there were no concerns in the arrangement and could see no risks in signing the documents.	
54.4	<p>RESOLVED THAT:</p> <ul style="list-style-type: none"> Governors received the LIBOR paper. Governors agreed that a summary paper, accompanied by the Eversheds document, should be presented to the Board. 	Exec Dir, Fin & Res
U21.55	<u>Committee Terms of Reference</u>	
	RESOLVED THAT: Governors approved the Committee terms of reference.	
	<u>**CONFIDENTIAL SESSION**</u>	
U21.56 NFP	<u>Performance of Internal Auditors and Financial Statements Auditors 2020/21</u>	
U21.57	<u>Any Other Business</u>	

57.1	<p>Committee membership update given. A Governor had stepped down from the Committee. The Chair was attempting to contact the other member of the committee.</p> <p>Recruitment of new Governors was in train and Governors would be appointed to the committee as necessary.</p>	
57.2	Governors thanked the Exec Director, Finance & Resources, for her support.	
U21.58	<u>Determination of confidential items</u>	
	Minute No. U21.56.	
U21.59	<u>Date and time of next meeting</u> Tuesday 22 March 2022, 8.00am	

The meeting ended at 9.45am