SANDWELL COLLEGE

Minutes of the Audit Committee meeting held on
Tuesday 11 June 2024, 8.00am

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

In attendance: D Holden   Vice Principal, Curriculum
                 R Pickup   Exec Director, Finance and Resources
                 S McKay   MHA (not agenda item 12)
                 E Scotford   Clerk to the Corporation
                 L Tweedie   RSM

Apologies: None

		Action
U24.15	**Apologies**	
	The Chair welcomed all present to the meeting. There were no apologies. The Chair reminded the Committee that, following retendering of the internal audit service, RSM would be recommended for reappointment at the July Board meeting. The Chair advised that the Principal would now be leaving at the end of October, along with the Vice Principals. Lisa Capper, new Principal, would take up her role on 1 November 2024.	
U24.16	**Declarations of Interest**	
	There were no declarations of interest.	
U24.17	**Disaster Recovery Plan/Business Continuity Plan** **Presented by Amir Kanwar, Head of IT**	
17.1	Senior managers were to be invited to talk to the Committee about their work, particularly in relation to risk management and internal controls to provide Governors with a wider perspective than senior management.	
17.2	Governors asked the Head of IT about his role at the College. The Head of IT had been with the College for a long time since 1992 and had moved from Science across to IT and had worked his way up to his current role. He had seen the department through a range of different processes and all angles.	
17.3	Governors asked what were the main concerns facing the IT Department. The College had experienced cyber incidents and had responded effectively and was proud of how it had managed them. Constant vigilance to combat regular attempted attacks was needed. The College had a close alliance with Jisc who supported the sector with internet connections and provided wraparound support. The College's response to such incidents was heavily supported by Jisc. On identifying an attack was imminent it was important to respond in a rapid way, ensure good	

	communication so everybody knew what was happening and isolate the problem to minimise any impact and damage.	
	LT arrived	
17.4	The IT team was strong, skilled and stable and had a full understanding of the systems in place.	
17.5	More recently the risks of AI were rising in consciousness because the way it was growing raised number of concerns. It was a Pandora's box so needed to be managed to ensure its benefits were realised without being affected by its negative side. It was important to ensure staff understood the implications of AI and develop the College's response to it.	
17.6	Governors asked what was the level of resilience within the team. The Head of IT advised that the team size had always been steady and stable but was probably smaller than was needed so he had been discussing with the Exec Director, Finance & Resources, expanding the team with another senior post focused on the cyber side. Ideally it would be an existing member of the team who had the specialist knowledge and well-established knowledge of the College and its system. This would benefit the College. A recent retirement in the team had led to a vacancy for a technician. Consideration was being given to how best to fill this as the scope and focus of the team had broadened to cover more IT issues and the College had increased in size and the number of campuses but the size of the team had stayed the same.	
17.7	Demand at Cadbury had increased and would again when the Cradley Heath and NHS projects came online. The expanded team needed to be in place before they were live.	
17.8	Governors noted the team's swift and effective reaction to unexpected circumstances, e.g. Covid and the half term incident, which was much appreciated by all.	
17.9	Governors recognised the need to be prepared e.g. for AI. The Head of IT explained the main times of vulnerability which required extra vigilance so any risks and threats could be dealt with quickly and effectively with minimum disruption, example given of an attack swiftly isolated and prevented so all services were back online promptly. Learning points had identified following the experience of South and City College Birmingham and the College had adjusted its systems based on their experience.	
17.10	In response to a Governor's question, the Head of IT explained the background and purpose and services provided by Jisc, a government created body which has effectively supported colleges since the early days of IT.	
17.11	Governors asked if AI could be deployed to protect against the perpetrators of cyber attacks. The Head of IT explained how AI could be used in connection with firewalls and other security measures.	

17.12	The College advised that a new AI policy was to be taken to LQCC which would address its impact on the College.	
17.13	Governors thanked the Head of IT for attending and his useful explanation of his department and its work.	
U24.18	**Minutes of previous meeting held on 20 February 2024**	
	RESOLVED THAT: Governors approved the minutes of the previous meeting held on 20 February 2024 for signing by the Chair.	
U24.19	**Matters Arising**	
19.1	Minute Nos. U24.4.5 and 4.6 – Environmental strategy – update given by Governor, John Tew, who was in touch with the college lead, Jeremy Taylor, Chair of the internal Environmental and Sustainability Committee. There were pockets of activity in place. A student champion had been appointed. Mr Tew would attend their next meeting as an Observer. A new Estates Director had been appointed who would start in September who had experience in sustainability and would help collate all college activity. Further update at next meeting.	JT
19.2	Minute No. U24.5.3.2 – IAS to include audit start and end times in future reports – actioned.	
19.3	Minute No. U24.5.3.5 – Clerk to include the impact of AI on the Annual Governors Strategy Day programme – actioned but Strategy Day postponed.	
19.4	Minute No. U24.7.1 – Martin Smith, Health & Safety Manager, to be invited to the next meeting to present his report – deferred in favour of the Head of IT presenting the Disaster Recovery Plan/Business Continuity Plan.	DH/Clerk
19.5	Minute No. U24.8.1 - target date to accompany target score – work in progress as the Risk Register was currently being reviewed by the committees. Target dates would be included in subsequent versions. SLT would propose target dates to the Board.	
19.6	Minute No. U24.8.6 – Risk Radar to be cross checked against the Risk Register – actioned.	
19.7	Minute No. U24.8.7 and U24.10.1.2 - – policy to be reviewed and reworded to reflect that the initial and current scores were derived by SLT and SLT would provide Governors with information to make decisions on the target scores – actioned.	
19.8	Minute No. U24.10 – changes to be tracked on policies in future – actioned.	
19.9	Minute No. U24.10.1.3 - Risk Management Policy approval to be recommended to Board – actioned.	
19.10	Minute No. U24.10.2.7 – Business Continuity Plan Policy approval to be recommended to Board – actioned.	
19.11	Minute No. U24.10.3.3 – Health & Safety Policy approval to be recommended to Board – actioned.	

U24.20	**Internal Audit Reports 2023/24** **Presented by the Internal Audit Service (IAS)**	
20.1	**Progress Report**	
20.1.1	The report summarised the current position for the year. All reports had been delivered, a few reports remained in draft and the IAS were working with management to finalise them.	
20.1.2	Governors asked why, given the committee deadline dates, the IAS and management had not worked to ensure they were finalised and circulated to Governors in time for the meeting. The IAS explained this was due to changes in responsibilities so follow up had been a factor and this also coincided with the half term break. The IAS would ensure the flow of reporting was improved for next year so that reports were ready for the June Audit Committee meeting. Governors reminded the IAS that half term dates were known well in advance so this should have been taken into account and to not have reports in time was not acceptable. The IAS advised that any high risk items in the draft reports had been addressed. There were a few points in the Learner Number Systems report on compliance but these were not uncommon with the rest of the sector. The College reassured Governors that all internal audit reports had Reasonable assurance ratings and college leads were going through the reports to ensure they were happy with the agreed actions and areas for improvement. There were a few Medium and no High recommendations, most recommendations were Low across the board which was broadly consistent with last year.	
20.2	**Key Financial Controls – Income and Debtors**	
20.2.1	There were no major concerns to highlight.	
20.2.2	Governors required the final versions of the internal audit reports be provided to the Clerk for uploading to Governor Hub by end June latest.	IAS/RP
U24.21	**Internal Audit Plan 2024/25**	
21.1	The process and approach taken were explained. The IAS considered the Risk Register and risks both for the College, across the sector and the longer term horizon where internal audit may be of use. Core elements of the business would be included as well as those areas not reviewed for a while which would be suitable to revisit and review. From this a proposed Audit Plan was compiled. The plan would evolve and was flexible to adapt to changing circumstances.	
21.2	The areas proposed for this year were: learner numbers with a focus on apprenticeships; data protection which was last audited in 2018; Student Support Services arrangements including financial support for students; HR areas of training and development, staff mental health and wellbeing, recruitment and selection, and appraisals and performance management; follow up on recommendations raised this year.	
21.3	The Committee was asked to consider the Plan.	

21.4	Governors asked who was involved in creating the Plan from the management side. The College explained the internal process: the Exec Director, Finance & Resources and IAS would discuss the Plan based on RSM's suggestions and what the College thought was suitable, e.g. review overall college strategy with a new Principal incoming. The Plan would then go to the QCE, the College's curriculum quality group for their input as to what would be useful and achievable including areas not audited for a while or where external input and suggestions for best practice on design and processes would be helpful.	
21.5	Governors noted the areas of focus suggested for Student Services and HR and asked what was the most likely final position. The College advised that the respective College leads, Angela Tombs and Becky Beaty, were considering the suggestions to see where most benefit would be achieved. This process would usually take place earlier but had been delayed this year because of internal recruitment.	
21.6	Governors highlighted the internal and external changes the College was facing with the departure of the Principal and Vice principals and the upcoming General Election and the need for the plan to be flexible and asked the IAS for their thoughts. In response to the matter of external changes, the IAS pointed out that the FE sector was subject to constant change so while there might be changes, Labour tended to favour a tertiary model for FE. With regard to internal changes, the IAS advised that whilst this led to significant changes, the outcome was often the same with setting up new courses, new students to be recruited but a new team might review and reflect on areas which would filter through to internal controls and processes. The full impact would be realised for 2025/26 so it was important to start the internal audit planning model. Procurement would change from 2025 so that would be an area of focus.	
21.7	Governors suggested changes in the leadership team might be important for the next audit cycle as it might be too early to review whilst the changes were ongoing.	
21.8	Governors asked why cyber security was not included given the high level of risk it presented to business interruption. The College advised that a cyber audit was needed this year as it was on a 2-year cycle with the IAS conducting a follow up review in between times. The IAS acknowledged it was an area of high risk and needing constant vigilance but the situation was more static than might be realised. How organisations evolved to address the risk through staff training, virus protection and firewall protection was crucial. There was a slight distinction between risk and control.	
21.9	There was merit in the future to considering the AI threat and opportunity. Ofqual was considering its impact on their work. being addressed through virus protection and firewall and training.	

21.10	Governors referred to the capital grants being claimed and funding being committed and asked if this area needed audit or risk reassurance. The IAS agreed that capital programmes were worth reviewing regularly to ensure mechanisms were in place and that terms and conditions were being adhered to.	
21.11	Governors noted the External Governance Review report was due and might impact on the Plan. John Tew, Chair of the Search & Governance Committee, advised that the Search & Governance Committee had met on 10 June 2024 when the draft report should have been available for consideration but it had not yet been received. This had been chased. The deadline for the review to be completed was 31 July 2024, with the next Board meeting on 1 July. The report should be available by the end of week commencing 10 June so further action would be taken.	
21.12	Timings and scheduling of the Audit Committee meetings for the next academic year to be reviewed to ensure they met the requirements of the planning cycle.	
21.13	RESOLVED THAT: Governors approved the Internal Audit Plan 2024/25.	
U24.22	**Global Internal Audit Standards – May 2024**	
22.1	RSM adhered to the Institute of Internal Audit Standards which were embedded in their work. Global internal audit standards were written for outsourced providers of IAS and inhouse delivered services where it was difficult to maintain independence. The changes were due to come into force in full in January 2025. RSM were updating their working mechanisms to achieve compliance with the standards.	
22.2	Key rules for the Audit Committee were to: - ensure members supported and championed internal audit and its position in the organisation - protect the independence of the IAS and the approval process was followed when additional work was requested.	
22.3	Governors asked if the Committee was meeting its remit from the IAS's perspective. The IAS confirmed it was but an occasional meeting with Governors for independent discussions without management present would strengthen that even more. Governors agreed to include an annual confidential session of Governors with both sets of auditors on the Schedule of Business. Clerk to arrange.	Clerk
22.4	Governors asked if senior management were doing what was expected of them by the IAS. The IAS confirmed that all engaged well with IAS but acknowledged the delays to finalising of reports and would ensure dates were streamlined for future reports.	

	The College explained that staffing issues had pushed audits together this year.	
22.5	Governors asked if senior management representation at the Audit Committee was right with senior finance and senior operational representatives present. The IAS advised it exceeded the standard representation of the Finance Director being in attendance but the College's approach was helpful as it was good practice to have additional representation but this was not common. Audit was not simply finance but risk based which included all areas of the business.	
22.6	RESOLVED THAT: Governors received the global internal audit standards – May 2024.	
	LT left the meeting	
U24.23	**Financial Statements Audit Approach 2024/25**	
23.1	The FSA explained the format of the audit approach for 2024/25. A mutual understanding of the timetable of the audit was important, including the level of materiality that would be used.	
23.2	The FSA were planning using a materiality benchmark of 2%, a slight increase of 1% last year which reflected the bigger size of the College. Most colleges had been moved from 1 to 2%.	
23.3	The triviality reporting threshold was explained.	
23.4	Key audit risks were: fraud risk in revenue recognition; management override; related party transactions; entitlement and recognition of income; regularity; going concern; risk of clawback; capital expenditure; pension assumptions and staff costs; financial reporting.	
23.5	The FSA's fees were subject to an inflationary uplift.	
23.6	Governors appreciated the clear format of the report.	
23.7	Governors asked if there was a need for any changes to the Committee terms of reference. The Auditors were satisfied that the terms of reference were appropriate with no changes suggested.	
23.8	RESOLVED THAT: Governors approved the financial statements audit approach 2024/25.	
U24.24	**College Financial Handbook – statutory requirements**	
24.1	The College confirmed that any statutory requirements would be reported through the Regularity Statement at the November meeting.	
24.2	The College clarified the approach taken last year to not recognise the pension asset was now the concencious. The DfE had acknowledged that the issue existed but no guidance had been provided.	
U24.25	**Health & Safety update**	

	AK arrived	
25.2	Governors congratulated the College on its ROSPA Gold award and thanked the Health & Safety Manager and team.	
U24.26	**Risk Register**	
	Governors noted the committees had not yet had chance to review their risks due to the timing of meetings.	
	RESOLVED THAT: Governors noted the Risk Register.	
26.1	**Write-offs**	
26.1.1	The write-offs presented all related to previous financial years.	
26.1.2	The background and investigation of each of the proposed write-offs were explained and related to: Loomis cash discrepancies June 22 to November 22; missing sports trip monies and catering monies. The Loomis case was not viable to pursue any more; there was no conclusive evidence of any fraudulent activity relating to the sports monies or the catering monies. Governors noted the improvements to financial systems which had been made as a result.	
26.1.3	RESOLVED THAT: Governors approved the write-off of the three amounts of £4,755.52, £2,571.31 and £2,300, off-setting them with the £5,977.51 of banked sports deposits.	
U24.27	**Policies/procedures**	
	There were no policies/procedures to review or approve.	
U24.28	**Any Other Business**	
28.1	Meeting start times and venue – Clerk to survey committee members and attendees preferences for meeting start times and venue, noting that an on site meeting per year might be useful.	Clerk
28.2	Committee membership – some Governors were not yet allocated to committees. The Search & Governance Committee Chair was due to speak to a Governor to invite him to join the committee but his availability to do so was to be confirmed. Governors were aware of the need for succession planning for departing governors.	
U24.29	**Committee Terms of Reference**	
	RESOLVED THAT: Governors approved the Committee's terms of reference.	
U24.30	**Committee effectiveness questionnaire**	
	RESOLVED THAT: Governors would complete and return to the Clerk the Committee effectiveness questionnaire.	
	Governors thanked both sets of auditors.	

	SM and LT left the meeting	
	CONFIDENTIAL SESSION	
U24.31	**Appointment of Internal Audit Service from 2024**	
	RESOLVED THAT: Governors approved the following minutes:	
31.1	**19 March 2024**	
31.2	**16 April 2024**	
U24.32	**Determination of Confidential Items**	
	There were no confidential items.	
U24.33	**Date and Time of Next Meeting** Tbc	

The meeting ended at 10.00am