

SANDWELL COLLEGE

Minutes of the Audit Committee meeting held on
Tuesday 20 February 2024, 8.00am

Present:	T Sharma J Tew	Independent Governor (Chair) Independent Governor
In attendance:	K Gentles D Holden M McNeill R Pickup S McKay E Scotford	RSM (not agenda item 12) Vice Principal, Curriculum Observer, AoC, External Governance Review Exec Director, Finance and Resources MHA (not agenda item 12) Clerk to the Corporation
Apologies:	M Ashford L Tweedie	Independent Governor RSM

		Action
U24.1	<u>Apologies</u>	
	<p>The Chair welcomed all present to the meeting. Apologies were received from Mark Ashford and accepted by Governors. Apologies were also received from Louise Tweedie, RSM.</p> <p>The meeting was observed by Martin McNeill, Reviewer, AoC, as part of the External Governance Review. Mr McNeill explained the background to and format of the External Governance Review. The Audit Committee was being observed to see how the Committee played a role in the whole governance process.</p>	
U24.2	<u>Declarations of Interest</u>	
	There were no declarations of interest.	
U24.3	<u>Minutes of previous meeting held on 21 November 2023</u>	
	RESOLVED THAT: Governors approved the minutes of the previous meeting held on 21 November 2023 for signing by the Chair.	
U24.4	<u>Matters Arising</u>	
4.1	Minute No. U23.33.4 - Disaster Recovery Plan to be brought to the next meeting - actioned - see agenda item 10.	
4.2	Minute No. U23.33.5 – IT Manager to be invited to next meeting to present the final version of the Disaster Recovery Plan - the IT Manager was not in attendance due to personal circumstances. The Plan would be presented by the Exec Director, Finance & Resources, who would feed back any issues to the IT Manager.	
4.3	Minute No. U23.33.8 – the College agreed to check the number of building defects reported at Bennetts Hill as it looked high – the Vice Principal, Curriculum, explained he had carried out a comprehensive health and safety review of the site with Martin Smith, Health & Safety Manager, noting all issues, as the building was to be more fully utilised.	

	Bennetts Hill was the oldest building in the College estate so would be more likely to have more health and safety issues.	
4.4	Minute No. 34.1.3 – development of the College’s Environmental Sustainability Strategy – John Tew (JT), Chair of Search & Governance Committee, was the lead as this arose from the audit of compliance against the AoC Code of Good Governance. Update given and discussion took place.	
4.5	A cross-college Environmental Sustainability Committee had been set up to include all sites across which the College operated. There were already pockets of activity in place, examples given including: automotive section doing work on hybrid and electric powered cars; focus on environmental sustainability in college capital projects and estates development. This work would be collated and developed more widely and its adherence to the environmental roadmap assessed. Student involvement in the development of the Strategy was important.	
4.6	Governors asked when the Environmental Strategy would be ready for approval. JT stressed that this was a significant piece of work which would take time so it was difficult to provide an exact end date. Another meeting of the Environmental Sustainability Committee was scheduled for June and an update would be given to the June Audit Committee meeting.	
4.7	Minute No. U23.34.3.1 – final audit report on GDPR and Learner Numbers to be updated to reflect they were complete – actioned.	
4.8	Minute No. U23.34.3.4 – updated Follow Up report to be reissued via the Clerk – actioned.	
4.9	Minute No. U23.34.4.6 – IAS progress report to be circulated to Governors via the Clerk – actioned.	
4.10	Minute No. U23.37.3.2 – revised Going Concern report to be circulated to Governors including the corrected cashflow graph – actioned.	
4.11	Minute No. U23.40 – reappointment of IAS – Exec Director, Finance & Resources, and Clerk to liaise on procedure and timescale – actioned, see agenda item 12.	
5)	<u>Internal Audit Reports 2023/24</u> Presented by the Internal Audit Service (IAS)	
5.1	Business Continuity Processes – 3.22/23	
	The report was included as an aide memoire for agenda item 10.	
5.2	Learner Number Systems – 7.22/23	
5.2.1	The audit complied with ESFA funding rules and methodology for apprenticeships so no colour coding for opinion was provided.	
5.2.2	There were 3 Low, 5 Medium and 1 High agreed actions.	
5.2.3	Governors asked where the report sat in relation to other audits on apprenticeships.	

	The IAS confirmed it was a high level audit and the areas identified were common across colleges as particularly apprenticeships were subject to complicated rules.	
5.2.4	<p>Governors asked how concerning was the High rated action, as this level of action was unusual for the College.</p> <p>The IAS explained the potential impact was a clawback of ESFA funding. Their sample testing was smaller, 20, than the ESFA's would be, 30-50 depending on the population size. Testing did not indicate there was a problem overall and related more to individual samples rather than being a generic problem.</p> <p>The College explained that actions related to better recording of the good practice and impact of the College's work which was in place with apprenticeships rather than this being absent.</p>	
5.2.5	The College had identified there were some areas of apprenticeships which needed to improved, as per the Ofsted report, so this was already an area of focus. Appropriate specialist support had been brought in e.g. Ian Smith, who was conducting an overall quality review of apprenticeships. A full quality approval plan was in place for apprenticeships which included an initial assessment of the prior knowledge and experience of apprentices as the College had taken on a number of apprentices from training providers which had collapsed.	
5.2.6	<p>Governors asked if the completion dates for a number of management actions were realistic and would they be closed by the next Follow Up report.</p> <p>The College confirmed they were all in train and likely to be completed by the deadlines set.</p>	
5.3	Internal Audit Progress Report	
5.3.1	One report was in draft, the others were due to be completed and would be brought to the next meeting.	
5.3.2	Governors asked that future reports include audit start and end times.	IAS
5.3.3	The Emerging Risk Radar was included for information and was based on survey responses from all industries. It recommended the Board should establish and keep under review the risk and internal control framework and determine the nature and extent of the principal risks it was willing to take to achieve its strategic objectives. Detailed discussion took place on the report.	
5.3.4	<p>Governors noted the report was a useful cross reference tool - it provided some context and focused on the horizon so emerging risks could be considered and whether any needed to be included on the Risk Register, but noted there were a number of areas the Board could not influence or prepare for.</p> <p>The IAS confirmed that the Committee had done what the report intended, i.e. consider the risks, but pointed out many were for information rather than action as the results were based on responses from across the full range of industries.</p>	

5.3.5	<p>Governors were conscious of the increased focus of mental health and wellbeing issues. Governors suggested that the impact of AI be included on the Annual Governors Strategy Day programme.</p> <p>The College highlighted that it was now starting to work with Black Country Health Care who provided mental health care for the Black Country. They were pleased and surprised by the amount of mental health support the College already provided. The College was considering how it could access more of their expertise.</p> <p>Governors had also previously reviewed the operational strategy of the College and ensured a balanced approach to energy bills without tying the College to prices at the peak of the market.</p>	Clerk
5.3.6	<p>Governors asked if there were any implications from the new global internal audit standards they needed to be aware of.</p> <p>The IAS explained the changes which would lead to more emphasis on the working relationships of the IAS, Board and internal management. The IAS were content they already met the standards and would update their Charter accordingly.</p>	
5.4	FE Benchmarking Report	
5.4.1	<p>The format and purpose of the report was outlined. There had been an increase in the number and priority of actions and assurance profile for the College. The IAS believed this did not reflect a deterioration in the control environment, but was the nature of a small plan. The IAS covered different areas each year and shifted to looking at more high profile areas which was positive.</p> <p>The IAS pointed out that the number of audits varied across colleges.</p>	
5.4.2	<p>The College pointed out the number of Low recommendations had increased, particularly due to the creditors audit, but were still very small in comparison to other colleges as pointed out by the IAS.</p> <p>Governors were reassured by the College and the IAS comments which had put the report and how issues were measured into context.</p>	
5.4.3	<p>Governors noted the report included a thematic overview of high actions and asked how the Committee and management used this and how the College was performing.</p> <p>The College advised it had been audited on the 3 High areas and compared its position against them to provide assurance.</p> <p>Governors asked that an update be brought to the next meeting, listing the College's position against the High level areas as they might help inform the next audit plan.</p> <p>The College gave a brief overview of the High level areas, 3 of which had received Substantial audit reports: student experience, training and HR and staffing; governance and risk – Governors had received reassurance of the actions taken; IT and cyber security audits were underway; financial management was monitored closely by the Finance & Strategy Committee – the College had a very strong financial position and there were no particular concerns. The College only had one High priority area, i.e. learner number systems.</p>	

5.4.4	RESOLVED THAT: Governors received the internal audit reports.	
U24.6	<u>Financial Statements Audits: FE/HE Digest Spring 2024</u>	
6.1	The FSA highlighted the following emerging areas for focus: the implications of the sub-contracting standard; the Advanced British Standard consultation; the importance of vigilance in securing employees ID verification; changes to standing data, i.e. the number of frauds occurring involving fictitious changes to supplier or payroll details; ESG (Environmental, Social and Governance) in education – this was voluntary at present under Casterbridge and there was no indication if colleges would be required to formally report on ESG initiatives; cyber security arrangements and common issues arising; wealth cash service – with the rise in interest rates, many colleges had started to use cash platforms to spread risk, e.g. to make use of the Government’s £85k financial compensation scheme.	
6.2	Governors commented that they had seen no positive impacts from the sector’s return to the public sector following the ONS reclassification and asked if there were likely to be any further implications in the new financial handbook. The FSA stated the handbook was not likely to contain anything new just clarification of the rules colleges were already required to follow. The date of the year-end continued to be debated with the Treasury originally believing it needed to change to end March but there was some understanding now that it should remain the end of July.	
6.3	Governors believed their responsibilities and powers had been diluted in certain areas as a result of the reclassification.	
6.4	Governors sought clarification that the College had a Treasury Management Policy and included management of risk around investment. The College confirmed it did and explained its approach to management of its cash instigated in August 2023. It was invested but within the banking system currently used. A move to a 4% account was generating c£400k. Given the College’s cash levels, it would not be feasible to split it across separate accounts up to a value of £85k each and it would impact on the level of interest generated. There was no impetus to move away from current arrangements but any change would be brought back to Governors for approval in line with the Treasury Management Policy. The College gave assurance that it was taking interest as a one-off benefit each year and not including it as a recurrent part of its underlying position in case interest rates dropped.	
6.5	Governors queried if colleges would be expected to use government banking rather than its own banking arrangements. The Exec Director, Finance & Resources, explained that other parts of the public sector had to use this but colleges could still use the commercial banks. This could change but was not expected imminently.	
6.6	RESOLVED THAT: Governors received the FE/HE Digest Spring 2024.	
U24.7	<u>Health & Safety Update</u>	
7.1	Martin Smith, Health & Safety Manager, would be invited to the next meeting to present his report.	DH

7.2	<p>Health and safety policies and procedures were all up to date. The Health & Safety Policy was reviewed and approved annually.</p> <p>The recommendations in the report from UMAL, the College's insurance company, had all been actioned and the review returned to the insurance company.</p> <p>All site fire risk assessments were due for completion by August 2024.</p> <p>The new STEM building at Cadbury and new engineering building in West Bromwich were now fully open and operational and compliant in relation to fire safety and all other health and safety areas.</p>	
7.3	<p>Governors asked how many actions and recommendations were generated by the UMAL report and were target dates for completion set.</p> <p>The Vice Principal, Curriculum, would check and report back to Governors on the exact details but reassured that all of the recommendations were complete and actioned and the return had been sent back to UMAL.</p>	
7.4	<p>Governors referred to the animal attack incidents reported.</p> <p>The College clarified that attack was a strong word to describe the incidents which were minor. There was just one serious attack in the dog grooming area. The staff member involved went to hospital. Following that incident, the range of dogs the public are allowed to bring into the dog grooming department had reduced and dogs classed as more dangerous, including XL bullies, were not allowed.</p>	
7.5	<p>Governors questioned whether health and safety training being offered to departments meant it was voluntary.</p> <p>The College explained that Smart Log training was compulsory for every staff member. This covered basic topics.</p> <p>Fire Marshall training was offered, not all staff had to be trained but some departments had more requirements as they were higher risk, e.g. engineering, motor vehicle, and construction.</p>	
7.6	Governors appreciated the thorough and useful Health and Safety report.	
7.7	RESOLVED THAT: Governors received the health and safety update.	
U24.8	<u>Risk Register</u>	
8.1	<p>Governors favoured the new format Risk Register, particularly the level of detail included.</p> <p>The new format Risk Register had been to LQCC and Finance & Standards Committees to review their committee's individual areas of responsibility.</p> <p>The Clerk confirmed that the new format had been well received by Governors and was evolving well. The Finance & Strategy Committee had recommended, to aid understanding, that a target date be included to accompany the target score. LQCC had discussed their areas of the Risk Register and were happy with how they were being managed in the new process. This demonstrated a cycle of good governance.</p>	RP

8.2	The College suggested that the ONS review might be de-escalated after publication of the financial handbook as it showed no signs of being a risk for other areas.	
8.3	<p>Governors noted there were 31 items on the risk register, 22 of them fell under the responsibility of the Finance & Standards Committee, the rest to LQCC. Audit Committee oversaw the framework rather than individual details. Governors suggested that this number of risks needed careful handling as it was a significant piece of work and asked for the College's view.</p> <p>The Exec Director, Finance & Resources, confirmed this had been discussed by SLT, particularly whether to concentrate on the higher risk items for committee scrutiny. Financial risks were cyclical so the timing was important. Finance had a reduced level of concern. 3 risks were project finance based, as £21m capital spend was in train at the moment.</p>	
8.4	<p>Governors asked if there were any particular risks to bring to their attention or which needed to be added.</p> <p>The College noted that Board vacancies and recruitment of good Governor candidates, along with succession planning for key Board roles were risks to be included, with Search & Governance Committee taking the lead. Search and Governance Committee reviewed the skills balance of the Board at each meeting and took the appropriate action.</p>	
8.5	<p>Governors recognised that the Risk Register would continue to be monitored and would include a target date as well as oversight and ownership details.</p> <p>The College agreed and pointed out that some risks were ongoing whereas others would have a target date.</p> <p>The College pointed out that the Board's risk appetite for how long to keep risks on the Register if there was little to do to move them forward, needed to be determined.</p>	
8.6	The College agreed to Governors' suggestion to cross check the Risk Radar against the Risk Register.	RP
8.7	<p>The FSA asked whose responsibility it was to determine the target scores and risk appetite as it was implied that it was SLT rather than Governors as per the Risk Policy.</p> <p>The Exec Director, Finance & Resources, clarified this and would review and reword the policy 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.</p>	RP
8.8	RESOLVED THAT: Governors received and reviewed the Risk Register.	
U24.9	<u>Insurance Cover Annual Report</u>	
9.1	The report was provided as part of the regularity process to provide assurance for Governors that the appropriate levels of insurance were in place to protect the assets of the College.	
9.2	Governors noted the limits and cover in place and that UMAL were specialists in the FE sector.	

9.3	In answer to a Governor's question, the College confirmed that the insurance cover levels followed detailed discussion with UMAL. The College was in line with other colleges. Its insurance included the basics and took a traditional approach.	
9.4	Governors asked if cyber insurance cover was in place. The College explained it took out cyber security cover separately. This was the responsibility of the IT Manager who could update the Committee when he attended the next meeting.	
9.5	Governors suggested that a report including all the various insurance claims be provided to the next meeting. The College explained that the number of claims was reported in the Regularity Audit Statement signed off by the Board.	
9.6	RESOLVED THAT: Governors received the Insurance Cover Annual Report.	
U24.10	<u>Policies and procedures</u>	
	Governors asked for changes to be tracked on policies in future. The Exec Director, Finance & Resources, would notify his colleagues.	RP
10.1	<u>Risk Management</u>	
10.1.1	The policy had been updated following the internal audit, with minor changes applied.	
10.1.2	The Exec Director, Finance & Resources, would contact the FSA to check the policy to reflect that the initial and current scores were SLT's responsibility and SLT would provide Governors with information to make decisions on the target scores.	RP
10.1.3	RESOLVED THAT: Governors would recommend the Risk Management Policy to the Board for Approval.	TS
10.2	<u>Business Continuity Plan and IT Disaster Recovery Plan</u>	
10.2.1	It was clarified that the Business Continuity Plan was approved by the Board on the recommendation of the Committee and the IT Disaster Recovery Plan was an internal document.	
10.2.2	Governors asked who was responsible for compiling the Business Continuity Plan. The College explained that it was the joint responsibility of the Head of IT and Head of Health & Safety as it had dual aspects.	
10.2.3	Governors asked who they reported to and how the Plans were reported to SLT. The College explained that the Head of IT reported to the Exec Director, Finance & Resources, and the Head of Health & Safety reported to the Vice Principal, Curriculum. The draft plans would be taken to SLT for review and approval. They were reviewed bi-annually.	

	The IAS confirmed the policy would be considered as part of the follow up audit.	
10.2.4	Governors appreciated the significant amount of work involved in drawing up the Plans and thanked staff for their hard work. Governors were reassured that the documents had been developed and plans put in place.	
10.2.5	Governors queried why the risk factor of cyber attack was classed as low. The College explained that was the IT team's assessment. They had done much of the work derived from the learning of the South and City College cyber attack. The College had in place over 90% of the actions arising. They were also focusing on other remaining areas.	
10.2.6	Governors asked if the other plans would be focused on business continuity rather than just disaster. The College explained the business continuity approach. Individual departments would work on them as the plans had slightly different areas of focus.	
10.2.7	RESOLVED THAT: Governors would recommend the Business Continuity Plan to the Board for approval.	TS
10.3	Health & Safety Policy	
10.3.1	Governors were reminded of the College's Health & Safety Committee which included representatives from across the college, chaired by the Vice Principal, Curriculum, or the Health & Safety Manager. The H&S Committee reviewed the policy before it was presented to Governors for approval.	
10.3.2	Governors noted that the Covid risk assessment was still included as the College continued to report on Covid cases. In more recent weeks, the the rising number of measles cases in Birmingham had become an issue and would be included. There were no other changes to the policy.	
10.3.3	RESOLVED THAT: Governors would recommend the Health & Safety Policy to the Board for approval, subject to proposed changes.	TS
U24.11	<u>Any Other Business</u>	
	There was no other business.	
	Auditors left the meeting	
	<u>**CONFIDENTIAL SESSION**</u>	
U24.12 NFP	<u>Appointment of internal audit service from 2024 – tender process/timeline</u>	
U24.13	<u>Determination of Confidential Items</u>	
	Minute No. U24.12	

U24.14	<u>Date and time of next meeting</u>	
	Tuesday 16 April 2024, morning - Audit Committee to interview shortlisted firms and selects firm to recommend to Board for appointment Tuesday 11 June 2024, 8.00am	

The meeting ended at 10.25am