

**SPARSHOLT COLLEGE HAMPSHIRE  
MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
held on 4 March 2021 at 9.30 am  
via videoconference**

**<sup>1</sup>PRESENT** Z Carter (E); A Fagg (C); M Lauder (E) (Chair); SJ Radford (C); C Wilson (E).

In attendance: J Baker, Vice Principal Curriculum, Sparsholt (from min 3)  
M Cheetham, RSM (mins 31 to 64)  
E Gipson, RSM (to min 64)  
S Grant, Deputy Principal (from min 3)  
J Milburn, Principal (from min 3)  
B Stokes, Vice Principal Curriculum, Andover (from min 3)  
A Whitworth, Director of Finance (from min 3)  
S Willson, Clerk to the Corporation

**DECLARATION OF INTERESTS**

1. There were no interests to declare.

**MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS**

2. The Committee Chair invited E Gipson for RSM to provide feedback on the internal auditors' interactions with College management. E Gipson confirmed that there continued to be effective and constructive communications between College Group management and the auditors and that there were no issues to highlight.

**MINUTES**

3. **Resolved** - that the minutes of the meeting held on 17 November 2020 be confirmed and signed as a correct record, with an addition at minute 187 to clarify that the number of risks assessed as 'significant' by the SLT at that date was 12.
4. The actions and resolutions were confirmed to have been enacted. The Committee Chair confirmed that she was satisfied that the Principal bring the proposed changes to the Risk Management Plan to the June meeting of the Board.
5. Work placements (minute 192): the Deputy Principal reported that the ESFA had confirmed that the College had made significant progress with arranging and commencing industrial work placements, despite the pandemic restrictions preventing the full target of hours completed from being met, and therefore related funding would not be withdrawn.
6. Cyber security (minute 195): the Deputy Principal reported that a second cybersecurity email phishing exercise had been undertaken with College Group staff which had resulted in a significant number of staff taking actions which would have put the organisation at

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<sup>1</sup> (E) = External; (C) = Co-opted Committee Member

- cyber security risk. All staff had been required to undertake further mandatory training and a third exercise would be carried out.
7. Members sought further information about the SLT's assessment of the phishing exercise and approach to cyber security awareness raising. Members discussed the factors behind staff actions and the measures taken by the College to support staff to recognise the threats, including with reference to examples from other organisations.
  8. The committee was assured that cyber security was a priority and that relevant actions were being taken. Given the potential significant risk to the College of a cyber security attack, the Committee Chair asked that the SLT report to the committee the outcome of the next exercise and noted that consideration would then be given as to whether this required escalation to the Board.
  9. **Action:** the Deputy Principal to report to the committee (via email if in advance of the next meeting) the results of the next phishing exercise.
  10. ESFA audits (minute 208): the Deputy Principal reported that notification had been received of a third desk-based verification audit of the workforce skills project funded by the European Social Fund (ESF). There had been no action points arising from the audits so far.
  11. There were no other matters arising not covered on the agenda.

## INTERNAL AUDIT REPORTS

### Staff Utilisation

12. The committee had received the report of RSM (1. 20/21) following an internal audit of the College's controls regarding the deployment of teaching staff and the monitoring of teaching staff utilisation.
13. The auditors found the College's processes for maximising staff utilisation to be working effectively and the report provided 'substantial assurance' (green rating). There were no actions raised and a number of examples of sound design and application were outlined by the auditors.
14. E Gipson commented that the teaching staff utilisation rates compared favourably to other colleges audited by RSM.
15. The Principal reported that management was seeking to further enhance practices following new analysis from the current development of a new data dashboard and the latest curriculum contribution report
16. The Vice Principals confirmed that the internal audit process had been a useful exercise for management in confirming that the refinements to processes undertaken during the preceding year were effective and to inform further improvements.
17. With reference to the ongoing reporting of staff utilisation to Board of Governors' committees, the Deputy Principal confirmed that this would be covered by the annual curriculum contribution analysis report.
18. The committee noted the positive outcome of the audit and College management's commitment to the ongoing management of staff utilisation to ensure the effective use of resources.

### Risk Management

19. The committee had received the report of RSM (2. 20/21) following an internal audit of the College's risk management processes, using Covid-19 risks as specific examples.
20. The audit found that the College had risk management processes in place to manage the various impacts of Covid-19 and that the Board could take 'substantial assurance' (green rating) in the controls in place. The auditors had recommended a medium priority action to improve controls by consolidating the risk management plan and the risk register dashboard.
21. The Principal confirmed that it was the intention to review the risk management plan and registers format in line with the audit findings by 31 July 2021. Proposals would be presented at the next Audit Committee meeting for recommendation to the Board.
22. Responding to a member's comment that the risk management processes must be in a format usable by College management, the Principal confirmed that the SLT would find it beneficial to simplify and consolidate the risk management reporting.
23. E Gipson confirmed that a second low priority management action (to record the earliest data a student could return to college on the central register of students notifying Covid-19 symptoms and required to self-isolate) had been implemented.

### Progress Report & Briefings

24. The committee had received a report from RSM on progress with delivering the 2020/21 internal audit plan.
25. E Gipson confirmed that there was good progress in delivering the internal audit plan and that the planned audits were expected to be completed in time to inform an annual internal audit opinion.
26. The committee had also received for information RSM sector briefings on 'Managing Risk in a Covid-19 World' (HE institutions), 'HE News Briefing', 'Determining your College/Academy Risk Appetite' and 'Enhancing the Control Framework in Education'.
27. The Principal confirmed the HE briefings would be shared with the Dean of Higher Education.
28. Members discussed risk appetite and reflected on its role in the Board's decision-making processes, noting that assessing risk appetite had tended to be integrated with deliberating specific proposals or areas of governance, rather than as a standalone holistic discussion. It was noted that the redevelopment of the risk management plan would consider the role of risk appetite and this would provide an opportunity for the Board to consider its approach going forward.
29. The committee noted that the reports also highlighted potential areas for future internal audits and E Gipson confirmed that RSM's approach was to look at how other parts of the sector were prioritising risks, alongside considering the College's risk register to seek to identify any gaps. The latest report by RSM on FE colleges' risk registers would be published shortly.

### **RISK MANAGEMENT**

30. The committee had received the Principal's second risk register assurance monitoring report of 2020/21 and the risk register dashboard. The committee had also received the College Group's Covid-19 risk assessment (28 February 2021) and T levels preparedness monitoring report.

31. The Principal highlighted key developments and summarised the assessment of the nine sub-risks which continued to be assessed by the SLT to be 'significant' because of the ongoing pandemic.
32. It was noted that this was a reduction of three since the November meeting of the committee and the Principal explained the revised evaluation of these three risks, giving an update on the position regarding the College's bank loan covenants, systems of control at both campuses in relation to Covid-19, and the funding and provision of IT and ILT to meet students' needs during the lockdown period.
33. The Deputy Principal drew the committee's attention to the significant potential risk (3.1) to future funding relating to government reviews of Level 2 and 3 adult provision, Level 2 16-18 year old provision, and changes to apprenticeships. Level 2 16-18 courses were a core part of the College's education offer and could be subjected to structural and funding changes.
34. With reference to quality performance and student achievement risks (5.1), the Principal explained that, while remote learning engagement appeared to be good and there had been strong strategies to underpin performance, the detailed information from awarding bodies on this year's qualifications had not yet been received and it was yet to be known how students would respond when they returned to learning on campus. With the upward trend in retention, it was hoped that this was a reducing risk. The Vice Principal Curriculum (Andover) confirmed that actions were also being put in place with the Wellbeing team to identify and support students who were reluctant to return.
35. The Principal reported on the significant increase in safeguarding cases compared to the equivalent point of the previous year and the lack of capacity in external agencies supporting children and young people. Although the College had increased the resources in the Wellbeing team, introducing new facilities for students and appointing a new Assistant Principal. it was anticipated that more support would be needed for mental health as numbers increased.
36. A member. who was also the Safeguarding Lead Governor, agreed that the increasing prevalence of safeguarding and mental health concerns, coupled with the lack of external support, was a strategic priority for the College. In addition to current demands, there were potential risks if young people were affected in the longer-term. This was recognised as a national issue. Members also noted that how colleges approached mental health support could be a key differentiating factor for future student enrolments.
37. The Vice Principal Curriculum (Andover), who was overseeing the Wellbeing Strategy, provided additional examples of actions being taken by the College and plans for additional enrichment and sporting activities for students when they were back on campus.
38. The Committee Chair undertook to highlight the discussion of this area of risk to the Board.
39. The committee reviewed the risk register assurance report, noting that the updates provided a clear picture of the substantial effort being given to managing the risks.
40. The Deputy Principal provided an update on the Royal College of Veterinary Surgeons (RCVS) accreditation process, confirming that the RCVS had confirmed that the action plan had been completed to its satisfaction. The College had also been compliant with its CMA obligations in communicating the process to Veterinary Nursing students.
41. Responding to the Committee Chair's question as to whether the report was shared more widely, the Principal explained the process by which specific risks and relevant updates

were included in the reports to the Board’s committees on individual agenda items. While the SLT discussed certain risks with College Group managers, the risk report itself wasn’t published internally.

42. The committee noted the T Levels preparedness monitoring report and the Vice Principal Curriculum (Andover) reported that the implementation plan had been reviewed by the ESFA.
43. Asked about how other colleges were approaching internal audits of T Levels, M Cheetham reported that this was not an area RSM had been asked to audit as yet and it was not immediately obvious what value would be added of an audit at this stage.
44. The Principal summarised the updates to the Covid-19 College Group risk assessment. There were no issues raised by the committee.

#### **ANNUAL REPORT ON INSURANCE LIABILITIES**

45. The committee had received the report of the Director of Finance and Finance Manager on current and potential insurance claims against the College, and updates on claims previously reported to the committee. The report also provided information about the College Group’s current insurance policies for assurance.
46. The Director of Finance provided additional information about two potential claims which had been reported at the March 2020 meeting of the committee, one of which was now closed.
47. The Director noted that the College had submitted a business interruption insurance claim to the College Group insurers, Zurich, up to the maximum in the policy of £100k (notifiable diseases) in relation to loss of commercial income. This was against the background of the Supreme Court judgment in the Financial Conduct Authority’s business interruption insurance test case. Zurich was refuting the eligibility of the College’s claim.
48. Asked whether this element of the insurance cover was sufficient at £100k going forward, the Director of Finance explained that it was only relevant to the College’s commercial operations but could be kept under review.
49. The Director of Finance explained that the investigations into procuring terrorism cover had proved complex and were ongoing.
50. In relation to a question about the personal accident cover for the Andover Town Football Club players (a subsidiary company of the College supporting the College’s sport curriculum) and the increased awareness in the sports’ world of concussion, the Vice Principal Curriculum (Andover) explained that concussion was not common at the level the team played. The Principal undertook to raise the matters at the Andover Town Football Club Board of Directors meeting.
51. Responding to a question about cover for Covid-19, the Director of Finance reported that the insurers excluded epidemics/pandemics.
52. The committee thanked the Director of Finance and Finance Manager for a clear and useful report and noted that the College continued to hold a reasonably good insurance claim record.

## **COUNTER FRAUD**

53. The committee had received the first annual report of the Director of Finance on the College Group's Counter Fraud Strategy, including the fraud risk register and a completed anti-fraud checklist from the ESFA Post-16 Audit Code of Practice (2020).
54. The Director of Finance highlighted progress with the actions within the Counter Fraud Strategy, noting the training activities which had taken place and the development of the counter fraud risk register.
55. Members discussed the increased risks of fraud related to the pandemic, in particular home-working, and the increase of the contactless payment card limit to £100. The Director of Finance confirmed controls were in place.
56. The report confirmed that there had been no gifts or hospitality (over £50) registered during the last 12 months. While noting that the pandemic and remote working could be a factor in limiting offers of gifts and hospitality generally, the Committee Chair questioned if management were confident any instances were being reported. The Director of Finance noted that there was generally a low incidence of gifts and hospitality in the FE sector and that any low value items below the reporting threshold would tend to be shared among staff and not present a conflict of interest.
57. The committee welcomed the assurances provided by the report. Additionally, the members of the SLT and management present confirmed that they were not aware of any matters of fraud or irregularity.

## **AUDIT COMMITTEE PERFORMANCE REVIEW**

58. The committee had received the report of the Clerk to the Corporation providing supporting information for the annual review of performance of the committee. This followed the annual report on the work of the committee which had been presented to the Board of Governors in December.
59. The committee reviewed the self-assessment questionnaire and the ESFA good practice guide for audit committees. A member noted his experience in other sectors that the usual approval route was for the risk management plan to be approved by audit committee, rather than recommended to the Board for approval as at the College. Members were content that the Board continue to have a role in approving the plan as it helped to ensure a high level of engagement and assurance.
60. In response to a question about the ESFA good practice guide's reference to using a Board Assurance Framework (BAF), it was noted that the current risk management plan and risk register had been developed a few years' previously with this in mind, intending to identify risks and controls and provide assurance as to how these were being mitigated. This would be revisited during the review of the risk management plan.
61. In answer to a member's observation of the importance of the skills and experience mix of members, including their longevity on the committee, it was noted that there had been new appointments to the committee in 2019/20 and 2020/21 and that membership was also reviewed annually by the Search Committee.
62. There were no recommendations for changes to the committee's terms of reference.
63. The committee confirmed that it was undertaking activities in line with its terms of reference and that there were no issues in relation to the effective operation of the

committee arising from the good practice checklist, the ESFA good practice guide or the move to virtual meetings during the pandemic.

#### **MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS & ANNUAL PERFORMANCE REVIEW OF THE AUDITORS**

64. The Committee had received the report of the Director of Finance and Clerk with the Director of Finance's assessment of the performance of Buzzacott as external auditors.
65. The report also provided the ESFA good practice guidance on assessing the expertise and resources, effectiveness and independence of the external auditors and it was noted that the minutes of the meeting would provide the report of the committee's conclusions to the Board.
66. The Director of Finance confirmed that she was satisfied that Buzzacott had conducted a thorough audit of the 2020/21 statutory accounts and developed a good understanding of the College's business. Committee members concurred with this assessment.
67. **Resolved** – that the Board of Governors be recommended to note the performance review and approve the appointment of Buzzacott as external auditors of the College's annual report and financial statements to 31 July 2021 within the terms of the three-year contract.
68. It was noted that a retender process was underway for appointment of an internal audit firm from 1 August 2021 and therefore the report did not include a review of the performance of the current internal auditor, RSM. There were no matters raised by members in relation to the internal auditor's performance in the current year.
69. A special meeting of the Audit Committee had been scheduled to consider the tender bids and make a recommendation to the Board. The Director of Finance provided an update on the bids received and the committee agreed the format and timings of the panel interviews.
70. The Committee Chair thanked members and management for their contributions and the meeting closed at 1200.