

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 16 November 2021 at 9.30 am
via videoconference

¹PRESENT A Fagg (C) (from min 230); M Lauder (E) (Chair); SJ Radford (C)

In attendance: S Blakemore, Buzzacott (except mins 292-297)
E Gipson, RSM (except mins 292-297)
S Evans, Finance Manager (from min 230)
S Grant, Deputy Principal – Corporate (from min 220)
N Heslop, Director of Finance (from min 220)
N Hopkins, Chair of Governors
C James, Vice Principal & Dean of Higher Education (mins 230 to 232)
J Lander, Governor
J Milburn, Principal (from min 220)
R Price, Interim Vice Principal Curriculum (Sparsholt) (mins 220 to 232)
B Stokes, Vice Principal Curriculum (Andover) (mins 220 to 232)
S Willson, Clerk to the Corporation

APOLOGIES AND ATTENDANCE

211. Apologies were received from Z Carter and C Wilson. C Wilson had provided some feedback on the papers which the Committee Chair relayed during the relevant items.
212. The Committee Chair noted that, due to some last minute issues with the availability of members, the meeting would not be quorate until A Fagg joined at 10.15 am. The agenda items would therefore be re-ordered to ensure key functions of the committee were undertaken while the meeting was quorate.
213. The Committee Chair welcomed N Hopkins and J Lander to the meeting as guests. N Hopkins had specifically been invited in his position as Chair of Governors to be in attendance when the Buzzacott audit partner, S Blakemore, presented the external auditors' post-audit management report in order to confirm whether there were any findings which would reasonably require the audit partner to attend the Board meeting in December and, if not, to support the Committee Chair to ensure due prominence was given to the report at the Board meeting. It was noted that an invitation had also been extended to all governors to attend the committee meeting for this item should they wish to do so.

DECLARATION OF INTERESTS

214. There were no interests to declare.

¹ (E) = External; (C) = Co-opted Committee Member

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

215. The Committee Chair invited S Blakemore for Buzzacott and E Gipson for RSM to provide feedback on the auditors' interactions with College management.
216. S Blakemore reported that Buzzacott had been onsite at the College for some of the audit work and that there had been no issues with the process. Furthermore, S Blakemore commended the Finance Manager for her preparation and organisation in relation to the audit.
217. S Blakemore explained that the majority of her dealings had been with the Finance Manager and that she looked forward to establishing a direct relationship with the new Director of Finance.
218. E Gipson reported that M Cheetham, the RSM partner, and she had met with the Director of Finance and Deputy Principal to discuss this year's internal audit programme and that this had been a productive meeting.
219. The committee was reassured by confirmation of the effective working relationships between management and the auditors.

RISK MANAGEMENT

Risk Register

220. The committee had received the report of the Principal on risk management, together with the latest update of the Risk Register dashboard and heat map and the College Group's Covid-19 risk assessment (19 October 2021).
221. It was noted that the Risk Management Policy had been approved by the Board, on the recommendation of the committee, and circulated to committee members.
222. The Principal introduced the risk register dashboard, explaining that, since the Risk Register had been presented to the October meeting of the Board, the SLT had added a fourteenth risk in relation to the College's ability to respond to climate change potential threats and opportunities. This was linked to the College's Strategic Plan and sustainability strategy.
223. The committee noted that, after controls were applied, five out of fourteen risks were still graded as very high though with the residual scores having reduced. The residual risks of two risks had increased.
224. Responding to a member's question about why Risk 11 (breach of legislative/regulatory/contractual obligations) had increased, the Principal confirmed that it was due to the heightened awareness of health and safety potential risks after some recent experiences and confirmed that management had instigated a series of actions and was paying close attention to these.
225. Asked about the overall outcome of the staff survey which had been reported in the College Healthcheck report, the Principal gave an overview of the main outcomes (due to be reported in detail to the Resources Committee), noting that the survey had been useful in identifying matters to follow up with groups of staff.
226. The committee endorsed further enhancements to the risk management report: a set of key risk indicators for each risk; highlighting of updates; and pale red/pink colour coding on the heat map to indicate risks which were potentially very high. The committee emphasised the value of the risk register as a live document, regularly reviewed and updated, and welcomed the level of engagement by the SLT.

227. The committee noted the Covid-19 risk assessment, and the Principal highlighted the measures which had continued to be put in place in the Autumn term and reported the installation of carbon dioxide monitors to test ventilation.

Management Presentations

228. The Vice Principals Curriculum and Vice Principal Higher Education provided ‘deep dive’ presentations on two of the risks in the Risk Register: Risk 6 (English and maths FE outcomes); and Risk 12 (pandemic factors impacting on FE and HE teaching and learning).

229. Members raised a number of points seeking further understanding or assurance about the context for the risks and the actions being taken by management.

230. Matters covered during the discussion of Risk 6 included the recruitment and career progression for English and maths teachers, sharing of good practice between colleges, and DfE requirements for T-Levels.

231. The discussion of Risk 12 included the range and types of support for FE and HE students.

232. The committee welcomed the overview in relation to the College’s activities in relation to Risk 6 and Risk 12 and the assurance given as to the ongoing commitment of College management and staff to student outcomes.

MINUTES

233. **Resolved** - that the minutes of the meetings held 10 June 2021 and 17 September 2021 (Parts 1 and 2) be confirmed as a correct record.

Cybersecurity (minute 102/21)

234. The Deputy Principal provided an update on cybersecurity actions since the last meeting (also covered in the risk register dashboard, risk 8). The latest phishing exercise, undertaken in October, had again resulted in a significant proportion of non-compliance and was followed up by further staff training. The email banner warning for external emails had been redesigned to maximise impact and it was intended to continue with the phishing exercises.

Risk management (minute 196/21)

235. The Principal reported early discussions about including a discussion of risk appetite linked to the future funding of the new property strategy at the Governors’ Seminar in January. This could be followed in future by a wider review of other areas of risk appetite, possibly with external advisors, depending on the preference of the Board.

236. The Committee Chair endorsed the proposal for the Governors’ Seminar.

INTERNAL AUDIT

Learner Number Systems

237. The committee had received the report of RSM (6. 20/21) following an advisory review of the Learner Number Systems to ensure adequate controls were in place in relation to ESFA funding. The sample covered 16-19 study programme learners, ESFA funded AEB (Adult Education Budget) learners, and apprenticeships.

238. The auditors had raised one ‘Medium’ and six ‘Low’ priority actions for management, the ‘Medium’ priority action relating to the timing of signing of a small number of Apprenticeship Agreements and Commitment Statements in the sample tested. None of

the issues raised had an immediate funding impact and did not result in an error in the funding being claimed.

239. The Deputy Principal provided some context in relation to the issues identified, explaining that the timing issue regarding signature of a document had been a result of lockdown restrictions and the need to circulate paperwork which would normally be signed in person by all parties at the same time and location. Normal processes had now returned and there were also checks in place at the end of the learning period which would prevent an incorrect funding claim being made.
240. E Gipson confirmed that no significant issues had been identified and that the report was relatively clean compared to experiences in other colleges.

Follow-Up

241. The committee had received the report of RSM (5 21/22) reviewing progress against previous management actions arising from internal audits conducted in 2019-20.
242. The report confirmed 'good progress' had been made by management in implementing agreed actions, with 80% (of 10 actions in total) implemented or suspended. Pressures on the College resulting from the pandemic had meant that two of the ten actions were not yet fully completed at the time of the review.
243. Asked whether the Payroll Procedures Manual had been completed at the end of October, the Principal undertook to check with the HR Manager and report back to the committee.

Internal Audit Report and Opinion 2020-21

244. The committee had received the internal audit annual report for the year ended 31 July 2021, which confirmed that the College had an adequate and effective framework for risk management, governance and internal control.
245. E Gipson highlighted that the College had achieved a 'substantial assurance' green rating, the highest possible annual opinion rating, and that the college was the only one of her FE college clients to have achieved this.
246. Responding to the Committee Chair's question about the wider value activities offered by RSM, specifically whether there were relevant webinars and events for the committee members, the Clerk confirmed that she was signed up to receive invites and forwarded any that were relevant and would forward details should members wish to subscribe direct.
247. Responding to a member's question about the auditor's approach to the governance opinion and when a specific governance review would next take place, E Gipson confirmed that this would be considered as part of the three year cycle.
248. Asked if the auditors were agreeing realistic deadlines for management actions, E Gipson confirmed that the deadlines were reasonable and noted that the auditors had not had cause to raise many actions.
249. The committee welcomed the audit opinion as providing assurance to the Board of Governors about the College's framework for risk management, governance and internal control and commended the work of College teams in achieving this.

Progress Report & Briefings

250. The committee had received for information RSM's progress report on the 2021-22 internal audit plan and briefing on emerging issues in the FE sector.

251. E Gipson confirmed planning for the audits was on track to complete all audit work before July. The internal auditors expected to be onsite more than the previous year but would agree the approach with management for each audit.
252. The committee noted that the risks from the risk register selected for the risk management audit were Risk 9 (Difficulty in managing increase in safeguarding/ mental health prevalence, compounded by impact of the pandemic) and Risk 8 (Hacking or cybersecurity breach or other IT/ systems failure).
253. E Gipson highlighted key points from RSM's report on emerging issues in the FE sector of relevance to the College. This included reference to the updated AOC Code of Good Governance and the ESFA good practice guide on management accounts.

EXTERNAL AUDIT REPORT ON THE FINANCIAL STATEMENTS AND REGULARITY AUDIT

254. The committee had received the post-audit management report prepared by Buzzacott LLP.
255. S Blakemore thanked the Finance team for excellent preparation of the audit information for the College Group and their responsiveness to the auditors' enquiries.
256. S Blakemore summed up key points in the report, noting that Buzzacott expected to give a clean audit opinion for both the financial statements and regularity assurance. There were a few outstanding standard actions set out in the report which required completion for the audit to be finalised.
257. S Blakemore confirmed that, based on the audit work so far, Buzzacott expected to be able to support the judgement that the College remained a going concern. There were no issues highlighted by the auditors or committee members in relation to this and the Board was also due to receive a report from the Director of Finance covering going concern considerations.
258. There were no audit adjustments required. There was one small unadjusted misstatement reported which, if it were to have been adjusted, would have had no impact on the College's overall reserve balance.
259. S Blakemore also highlighted the approach taken to obtaining assurance regarding income and ILR data which had taken into account the findings of internal audit, and included a virtual meeting with RSM, and had concluded that the risk of material misstatement was relatively low.
260. The committee welcomed the auditors' findings and the positive feedback in relation to the work of the Finance team.
261. The Chair of Governors and committee confirmed that there were no issues of concern which required the audit partner to attend the Board of Governors meeting and noted that Buzzacott's report would be considered by the Board at its meeting, alongside the Committee Chair's oral report and the minutes of the committee meeting.
262. The Committee Chair thanked Buzzacott and the Finance team for their efforts.

REGULARITY AUDIT

263. The committee had received the report of the Clerk to the Corporation on the Regularity Self-Assessment Questionnaire required by the ESFA's Post-16 Audit Code of Practice 2020-21 (ACOP) and used as evidence for the regularity audit opinion contained within the auditor's report.

264. The committee noted that this year's regularity audit had again included an additional section on regularity matters specific to the Covid-19 pandemic.
265. **Resolved** – that the committee recommend to the Board of Governors that the completed self-assessment questionnaire had been reviewed by the auditors and that an unqualified audit opinion for the regularity audit for 2020-21 had been received.

ANNUAL REPORT AND FINANCIAL STATEMENTS

266. The committee had received the draft report and accounts for the year ended 31 July 2021, together with a commentary from the Director of Finance and the draft combined letter of representation for the financial statements and regularity audits.
267. The Principal highlighted key points in the Report of the Governing Body, noting that the new mission and vision had been included, together with key information about performance and risks. The underlying information about student achievement would be received and scrutinised by the Quality & Standards Committee.
268. The Director of Finance summarised the key financial headlines and commended the work of the Finance team, noting that there had been no audit qualifications or post audit adjustments required. The ESFA had confirmed the College had a financial health rating of 'Outstanding' for 2020-21 based on the July financial return and 'Outstanding' for 2021-22 based on the budget.
269. The Director of Finance confirmed that, while there were challenges in the next year in relation to inflationary pressures and financing of the property strategy, there were no risks identified in relation to going concern.
270. The committee discussed and sought clarification about a number of matters, including the level of operating expenses for the College and the College Group, the accounting treatment of additional Covid-19 related funding and the SWAPs movements (part of the NatWest bank loan arrangements).
271. The Chair of Governors asked the Director of Finance whether, as a new appointment to the College Group, he had become aware of any significant issues or challenges. Other than noting the complexity of the funding streams and the restrictions presented by the bank loan covenants, the Director of Finance reported that he had not identified any concerns.
272. It was noted that the financial information on the Access and Participation Plan (required by the Office for Students to be published in the financial statements), was being finalised and would be added as a note to the financial statements.
273. *Action:* The committee requested that the Access and Participation note be circulated to the committee by email when available. [*Addendum: completed prior to the December Board of Governors meeting.*]
274. The Committee Chair drew the committee's attention to the 'Statement from the Audit Committee' in the Statement of Corporate Governance and Internal Control and confirmed that this had been drafted by the Clerk in consultation with the Committee Chair. There were no comments raised by members on the statement.
275. **Resolved** - that the Board of Governors be recommended to approve the annual report and financial statements for the year ended 31 July 2021, subject to the agreement of the Resources Committee and to finalisation of the annual report and financial statements.

276. The Director of Finance highlighted some key points in the proposed letter of representation and there were no issues raised by committee members.
277. **Resolved** – that the Board of Governors be recommended to approve the letter of representation for the year ended 31 July 2021.

COUNTER FRAUD & WHISTLEBLOWING

Whistleblowing Policy

278. The committee had received the report of the Clerk to the Corporation on her review of the College Group's Duty to Act (Whistleblowing) Policy and the proposed updates to the policy.
279. The policy provided assurance to potential whistle-blowers in line with legal requirements and an additional means to mitigate the risk of malpractice within the college. It was also a requirement of the Keeping Children Safe in Education Statutory Guidance that appropriate whistleblowing procedures should be in place and the Safeguarding Learners Policy also included relevant procedures for staff or students.
280. It was noted that the policy had been reviewed by Warner Goodman (employment lawyers) and all recommended changes incorporated. In addition, some further minor updates and clarifications were proposed, informed by the Eversheds model whistleblowing policy for colleges and other example policies.
281. It was also noted that the current policy has been reviewed in November 2018 as part of the Hampshire Safeguarding Children Board (HSCB) Audit and updated at the time to clarify the role of the Local Authority Designated Officer (LADO). The LADO contact details have been checked and are up to date
282. **Resolved** – that the updated Whistleblowing (Duty to Act) Policy be recommended to the Board for approval.

Counter Fraud

283. At the invitation of the Committee Chair, members of the SLT and management present confirmed that they were not aware of any matters of fraud or irregularity.

AUDIT COMMITTEE ANNUAL REPORT

284. The committee had received from the Clerk to the Corporation the draft annual report of the committee to the Board, together with the committee's annual business plan.
285. It was noted that the report had been drafted to comply with the requirements of the ESFA Post-16 Audit Code of Practice.
286. The committee agreed to add an additional statement to the report to confirm that through its work and that of the auditors, the committee had gained substantial assurance about the College's process and controls even during the pandemic.
287. There were no comments about the committee's annual business cycle for 2021-22.
288. **Resolved** - that the annual report of the committee be amended as agreed and submitted to the Board of Governors.

GOVERNANCE

289. The committee had received for information the ESFA Interim Chief Executive's letter (22/09/21) to Accounting Officers, which had been annotated by the Clerk to the Corporation to evidence the College's compliance with the matters covered by the letter.

There were no matters of concern raised by the committee and it was also noted that the letter had been received by the Board of Governors.

290. The committee had also received for information the ESFA ILR Data Integrity guidance for college corporations on maintaining complete and accurate ILR data. It was noted that College management were aware of the guidance and that it had also been circulated to governors.

ESF AUDIT

291. The committee noted the correspondence from the ESFA (16 July 2021) confirming that no issues were identified as part of the fourth Article 125 desk-based verification by the European Social Fund (ESF) Managing Authority. This was part of the standard activity undertaken for programmes funded through the ESFA and related to the intermediate and high-level workforce skills project delivered in partnership with other colleges.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

292. The Committee Chair sought feedback from College management as to their perspective on the internal and external auditors' activities.
293. The Deputy Principal commended the high level of knowledge of the RSM auditor who had reviewed Learner Number Systems, noting that this had provided valuable scrutiny and assurance.
294. The Finance Manager provided feedback on Buzzacott's methodology and approach to their audit work, noting that the auditors had held discussions with the Director of Information and Funding and met some cost centre managers to verify assets.
295. There followed a discussion about different auditors' practices, and it was noted that external auditors tended not to meet with the Principals/CEOs of colleges as part of the audit, although this was sometimes considered good practice in other sectors. It was agreed to revisit this question when Buzzacott presented the next audit strategy at the June meeting of the committee.
296. The Committee Chair thanked members and management for their participation in the discussions.
297. The Chair of Governors thanked all the members of the committee on behalf of the Board of Governors for their contribution to the College's governance.
298. Confidential matters were recorded separately. The meeting closed at 12.30.