

**SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 10 March 2022 at 09:30
at Sparsholt College**

¹PRESENT Z Carter (E); A Fagg (C); M Lauder (E) (Chair); C Wilson

In attendance: S Cameron, HR Manager (mins 24 to 40)
E Gipson, RSM (to minute 98)
S Grant, Deputy Principal – Corporate (from min 6)
N Heslop, Director of Finance (from min 6)
J Milburn, Principal (from min 6)
B Stokes, Vice Principal Curriculum (Andover) (mins 6 to 40)
M Treagust, Vice Principal Curriculum (Sparsholt) (mins 6 to 40)
S Willson, Head of Corporate Governance

APOLOGIES

1. Apologies were received from SJ Radford who had provided some feedback on the papers which the Committee Chair relayed during the relevant items.

DECLARATION OF INTERESTS

2. There were no interests to declare.

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

3. The Committee Chair invited E Gipson for RSM to provide feedback on the auditors' experience of working with the College since the last meeting.
4. E Gipson reported that she had maintained an effective working relationship with the Deputy Principal who was the current SLT lead for the internal audit plan. E Gipson also highlighted that more audit work was now being undertaken on site.
5. The committee noted that there were no issues of concern from RSM in relation to the auditors' ability to deliver the planned internal audit activities.

MINUTES

6. **Resolved** - that the minutes of the meetings held 16 November 2021 (Parts 1 and 2) be confirmed as a correct record.

Risk appetite (minute 235/21)

7. The Committee Chair noted that the Governors' Seminar in January had included deliberation of risk appetite in relation to financing the Property Strategy and raised a question about how the Board might consider other aspects of its risk appetite at a suitable time.
8. In discussion, it was noted that the process for considering risk appetite should ensure that it is meaningful and linked to the Board's key strategic decision-making. It was suggested

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

focusing at first on a small number of key strategic drivers for the College. This would require preparation and might benefit from external advice and examples from other colleges.

9. The Committee Chair recognised that the Governors' Seminar in May was therefore likely to be too early but proposed that this be progressed within the next year and the Principal and Head of Corporate Governance undertook to consult further on the process and timings.

Follow-Up audit actions (minute 243/21)

10. In relation to the 'medium' action from the internal audit of Payroll (1 19/20) which was outstanding at the last meeting, the Principal confirmed that a Payroll Procedures Manual was now in place.

INTERNAL AUDIT

Risk Management (Part 1)

11. The committee had received the report of RSM (1. 21/22) on the first of a two-part Risk Management audit to examine whether the risks in the risk register were adequately defined and scored and that the controls and management oversight of the risks were adequately captured. The first audit provided substantial assurance in relation to risk 9 (Difficulty in managing increase in safeguarding/ mental health prevalence, compounded by impact of the pandemic).
12. E Gipson reported that the auditors had identified one 'low' risk management action, about assigning dates to planned actions in the risk register, and that the SLT had wanted to seek the views of the committee before finalising a response.
13. The Deputy Principal confirmed that the SLT would add dates to the risk register actions if that was the committee's preference but highlighted how the committee already received assurance about the timely completion of actions and the SLT's concern that adding more detail to the current dashboard would make it less, rather than more, effective.
14. Members agreed that there was a comprehensive set of reporting and oversight procedures in place to provide assurance to the committee about the College's actions in relation to risk mitigation and that the SLT continued to actively identify and manage risks. However, in discussion with the SLT members, it was agreed that it would be beneficial if the dashboard format was further developed to indicate which actions had been completed and so that completed actions could then be removed from the following term's report where appropriate.
15. **Resolved** – that the Risk Register dashboard be further developed to indicate completed actions and focus on actions which remained live going forward.

Progress Report

16. The committee had received for information RSM's progress report on the 2021-22 internal audit plan.
17. E Gipson confirmed that planning for the audits was on track to complete all audit work in time to report to the June meeting of the committee and to inform the annual internal audit opinion.

18. Responding to a query by the Deputy Principal, E Gipson confirmed that the Learner Number Systems audit could be scoped to include the Education & Skills Funding Agency's (ESFA's) 16-19 tuition fund if requested.
19. E Gipson also reported that RSM had been subject to an External Quality Assurance (EQA) review, undertaken every five years, and the review had confirmed that the auditor conformed with relevant professional standards and codes of practice.
20. The committee welcomed confirmation of the outcome of the EQA and noted that details were included with the report later in the agenda on the review of the auditors' performance.

RISK MANAGEMENT

Risk Register

21. 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 (1 March 2022).
22. The committee noted that, after controls were applied, the number of risks still graded as very high at the time of writing had decreased from 5 to 3 (risks 2, 3 and 9) and the Principal summarised the reasons informing the SLT's evaluation of the risks.
23. In relation to risk 3 (delivering the property strategy), the committee noted the submission of four bids for T Level capital funding and the Deputy Principal provided an update on discussions with Test Valley Borough Council about positive progress of the Andover Town Centre project.
24. In relation to Risk 9 (increase in safeguarding/mental health prevalence), the Principal and Vice Principal Curriculum – Sparsholt (the Designated Safeguarding Lead) gave some examples of the increasing challenges in society as a whole and the actions being taken by the College to further enhance support for students through increased specialist staffing at both campuses, and for residential students, as well as the embedding of mental health strategies in teaching and working with pupils in secondary schools to support their transition to college.
25. Responding to the Committee Chair's statement about the need to also support the wellbeing of staff in this context, the Vice Principal Curriculum gave the examples of actions in the College's Wellbeing Strategy and provision of counselling supervision and support.
26. The committee welcomed the continuing drive of management to both recognise and respond to the risk and, in the context of stretched external resources, the need to support students' mental health to successfully deliver the College's educational mission.
27. The committee noted management's assessment of three risks where the residual risk had been downgraded since the previous meeting (risks 8, 10 and 11), commending the IT team for the achievement of the Cyber Essentials accreditation in relation to risk 8.
28. The Principal explained that, while risk 10 (severe business disruption) had been downgraded at the time the report was written, the risk was continuing to be being carefully monitored given the conflict in the Ukraine and the state of the economy. It was noted that actions had already been taken to mitigate price inflation (such as to animal feed) and that contracts with major suppliers provided some protection in other areas of price inflation, providing that those suppliers' businesses continued to function.

29. The Principal also highlighted the College’s response to loss of power and water due to the impact of Storm Eunice and that, while the safety of the College community and animals on site had been protected, some requirements in relation to improving the power and water infrastructure had been identified.
30. The Principal proposed a ‘deep dive’ presentation on risk 10 at the next meeting and it was agreed to confirm this with the Committee Chair nearer the time.
31. In relation to risk 11 (breach of legislative, regulatory or contractual requirements), the Principal reported progress in strengthening the consistency and implementation of health and safety monitoring and noted that the College was looking to invest in compliance monitoring software given the complexity and scope of its operations.
32. The committee noted the updates to control actions in the Risk Register and the Committee Chair proposed that the SLT highlight in future reports whether any of the key risk indicators were close to being triggered.
33. **Resolved** – that future Risk Register dashboard reports highlight whether any of the key risk indicators for each risk were close to being triggered.

Management Presentations

34. The committee received ‘deep dive’ presentations on two of the risks in the Risk Register: risk 7 (failure to recruit and retain a quality workforce) from the HR Manager; and risk 4 (failure to meet student recruitment and/or growth targets) from the Deputy Principal and Vice Principals Curriculum.
35. Members raised a number of points, seeking further understanding or assurance about the context for the risks and the mitigating actions being taken by management.
36. Matters covered during the discussion of staff retention and recruitment challenges and strategies included: pay and benefits comparators, particularly with the school sector and industry; internal succession planning; staffing areas with particular challenges; marketing campaigns and activities; and mitigating the impact on students and other staff.
37. Matters covered following the presentation about student recruitment activities for HE, FE (Sparsholt and Andover campuses) and apprenticeships included actions relating to the HE Access & Participation Plan; application of learning from the pandemic to hybrid approaches to marketing and engagement activities; listening to feedback from applicants; differing factors and how these are being addressed for Andover College, including the importance of relationship-building with schools and their careers teams and the role of parental perceptions; and fostering a community of employers working with the College.
38. The committee welcomed the comprehensive presentations and the evidence of actions being identified and implemented to seek to mitigate the risks.

Covid-19

39. The committee noted that the Covid-19 risk assessment has been updated to reflect the Government’s ‘Living with Covid’ guidance and that the SLT had decided to continue to keep a risk assessment in place until the end of the academic year unless Department for Education/Public Health England guidance was issued to the contrary.
40. The Principal reported that a second vaccination clinic had been held on site with good attendance levels and positive feedback from Public Health England. Contingency plans had been in place in case of activity by protestors who were known to be active in the Hampshire area.

ANNUAL REPORT ON INSURANCE

41. The committee had received the report of the Director of Finance and Procurement Officer on current and potential insurance claims against the College Group, and updates on claims previously reported to the committee, to highlight any claims risks.
42. The report also provided confirmation of the College Group's current insurance policies for the assurance of the committee and it was noted that these complied with ESFA funding conditions.
43. The committee noted that the College continued to hold a reasonably good insurance claim record overall.
44. Members sought further information about claims relating to damage to College minibuses and were informed that online training had been introduced for staff driving minibuses, with an additional follow-up training if they were involved in an incident.
45. The committee also noted the outcome of a historic asbestos claim and that the College's costs had been fully covered by contemporaneous insurance policies.
46. In addition to the matters covered by the report, the Director of Finance reported that a claim had been submitted in relation to damage to the Portway Stadium caused by Storm Eunice, explaining that damage to the fencing was not covered by the policy. There had also been some damage on the Sparsholt campus which had, in the main, been repaired by College teams. However, damage to the polytunnels in Horticulture would be an additional insurance claim.
47. The committee noted that the main insurance policy with Zurich was in place until 2024, with an option to extend for a further two years, and that Zurich had confirmed that the annual rate rise this year would not be more than inflation.
48. Asked about the new Drone insurance cover, the Director of Finance explained that this was in place in relation to use of drones by the College and that the College complied with legal requirements for flying drones.
49. In response to the Committee Chair's query as to the adequacy of the accident insurance cover in place for players at Andover Town Football Club (ATFC), the Director of Finance explained the level was based on a judgement of likelihood, potential liabilities and cost of cover.
50. At the committee's request, the Director of Finance undertook to check the FA's position regarding player injuries and to confirm at the next meeting the SLT's view on appropriate insurance cover for ATFC players.

COUNTER FRAUD AND WHISTLEBLOWING

Counter Fraud

51. The committee had received the annual report of the Director of Finance on the College Group's Counter Fraud Strategy, including the fraud risk register, the anti-fraud checklist from the ESFA Post-16 Audit Code of Practice, the hospitality and gifts register and the fraud register.
52. It was noted that, while a fraud register was held, there had been no known instances of fraud to record.

53. The committee was satisfied with the information provided and assured that there were no issues of concern raised. Members agreed the importance of having appropriate risk assessment, recording and reporting procedures in place to mitigate the risk of fraud.
54. The Director of Finance reported that minor updates to the Financial Regulations were being proposed to the Board of Governors, including a new limit of £10 for hospitality/gifts from students or their families in line with the new FE and HE Academic Conflicts of Interests policies.
55. 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.

Whistleblowing

56. The committee had received and noted the annual report on Whistleblowing. There had been one complaint received by the Board of Governors in relation to management operational matters (not involving fraud or irregularity or finances) which had been investigated by the Deputy Principal under the whistleblowing procedures. The investigation had confirmed that the potential concerns raised were unfounded and feedback had been provided to the complainant. The investigation report had also been provided to the Chair of Governors for information.

AUDIT COMMITTEE PERFORMANCE REVIEW

57. The committee had received the report of the Head of Corporate Governance 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 and noted the actions which had been implemented since the last review.
58. The supporting evidence included a CIPHA best practice checklist, a review of the updated ESFA good practice guide for audit committees, a review of relevant provisions of the revised AOC Code of Good Governance, and the outcome of a survey of members of the committee and SLT members.
59. Members noted the increased emphasis on the skills and experience of committee members highlighted in the ESFA good practice guidance and in the Post-16 Audit Code of Practice, and were satisfied by the relevance and diversity of the skills of the current committee members.
60. Members discussed the new section in the ESFA good practice guidance on committee papers and support, commending the enhancements in reporting to the committee over the last few years. In particular, members were satisfied the reports were produced to a common standard, were comprehensive and included up-to-date information. This, together with concise oral introductions to the reports at meetings, had enabled more time for useful discussion. Members were also satisfied with the change from hard copy to electronic papers and noted plans to provide access to papers online.
61. Members discussed with the College officers the new section in the ESFA good practice guidance on the role of the committee in relation to assurance that value for money is being delivered, noting the monitoring activities in place through scrutiny of the risk register, internal audit and other reports but also the integration of value for money in management practices and the overall framework of governance reporting to other committees and the Board.

62. Members also observed that the commitment to pursuing efficiency and value for money had been embedded in the College's culture and management practices during the tight funding environment of recent years and that it might be necessary to revisit the approach to value for money assurance if these circumstances changed in the future.
63. In relation to the ESFA guidance, the Deputy Principal reported that the minimum threshold under which additional audit of subcontracting arrangements was required had not yet been confirmed for 2022-23.
64. The committee was satisfied that the suggested areas of working in Annex A of the ESFA guidance were covered and that there were no issues for the committee's activities arising from the provisions of the AOC Code of Good Governance.
65. The committee discussed the responses from both members of the committee and the three College Group senior post holders to questions designed to probe the quality of the work and the impact of the committee.
66. The Committee Chair noted the positive responses and sought further feedback about whether co-opted members felt sufficiently informed about relevant matters between meetings. It was noted that all members received the monthly College Group management accounts and Healthcheck (key performance indicators) report and A Fagg confirmed that he felt reasonably confident to interpret reports which covered wider information about the College without receiving further briefings between meetings. It was also noted that the co-opted members brought to the committee a fresh, external perspective which was also valuable. The Head of Corporate Governance nonetheless undertook to review whether there was relevant, timely and relevant information which it would be of benefit to share with the co-opted members.
67. The committee was satisfied to report to the Board that it continued to undertake its activities in line with its terms of reference and that no concerns had arisen about the effective operation of the committee in relation to the best practice guidance. There were no updates recommended to the terms of reference.
68. The Committee Chair noted that Z Carter was stepping down as a governor on 1 April 2022 and thanked her sincerely for her knowledgeable contributions to the committee's work during her six years as a member of the Board of Governors.

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

69. The Committee had received the report of the Director of Finance and Head of Corporate Governance on the annual review of the performance of the internal and external auditors.
70. The Deputy Principal and Director of Finance had provided their joint assessment of the internal auditors, given that the Director of Finance was relatively new in post, and confirmed that College management was satisfied with the level of service and expertise provided by RSM. Some examples were given of RSM's approach to audits and it was explained that this was sometimes time-consuming for College Group staff but demonstrated a level of thoroughness and robustness.
71. The Director of Finance had provided his assessment of the external auditors, Buzzacott, noting that the external audit had demonstrated a reasonable level of challenge, particularly given the impact of remote working. The report also provided confirmation of the assessment criteria for external auditors set out in the ESFA good practice guidance.
72. Members particularly welcomed the clarity of the external auditor's report to the Board.

73. The committee was content to concur that a good level of service was provided by both the internal and external auditors.
74. **Resolved** – that the Board of Governors be recommended to note the performance review and confirm the appointment of:
 - a) Buzzacott as external auditors of the College’s annual report and financial statements to 31 July 2022 within the terms of the three-year contract
 - b) RSM as internal auditors for 2022-25 within the terms of the five-year contract.
75. The meeting closed at 12.40.