

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 9 June 2022 at 09:30
at Sparsholt College

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

In attendance: S Blakemore, Buzzacott (to min 151)
M Cheetham*, RSM (to min 151)
S Evans, Finance Manager (from min 81)
S Grant, Deputy Principal – Corporate (from min 81)
S Hermiston, Director of Information & Funding (mins 81 to 87)
N Heslop, Director of Finance (from min 81)
C James, Assistant Principal & Dean of Higher Education (mins 117 to 120)
J Milburn, Principal (from min 81)
M Treagust, Vice Principal Curriculum (Sparsholt) (mins 117 to 120)
S Willson, Head of Corporate Governance

APOLOGIES

76. Apologies were received from G Davies and SJ Radford.

DECLARATION OF INTERESTS

77. There were no interests to declare.

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

78. The Committee Chair invited M Cheetham for RSM and S Blakemore for Buzzacott to provide feedback on the auditors' experience of working with College management since the last meeting.
79. M Cheetham confirmed that there are no issues of concern from RSM in relation to the auditors' ability to deliver the planned internal audit activities.
80. S Blakemore explained that the external audit activities for the 2021-22 financial year had commenced with a planning meeting and there was nothing further to report at this time.

MINUTES

81. **Resolved** - that the minutes of the meeting held on 10 March 2022 be confirmed as a correct record.
82. Learner Numbers Internal Audit (minute 18/22): The Deputy Principal reported that the auditors had agreed to include a review of the methodology used to provide an audit trail for the ESFA's 16-19 tuition fund which would be in line with the minimum guidance currently available from the ESFA.

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

* attended remotely via online videoconference

83. Insurance (minute 50/22): the Director of Finance reported that there was no additional insurance cover arranged through the Football Association (FA) for player injuries beyond the personal accident cover already purchased by the College. The cost of adding additional cover would be reviewed for the next season.
84. The committee noted that the resolutions of the committee had been implemented and that there were no matters arising not covered elsewhere on the agenda.

INTERNAL AUDIT

Risk Management (Part 2 - IT)

85. The committee had received the report of RSM (2. 21/22) on the second 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 second audit provided substantial assurance in relation to risk 8 (Hacking or cybersecurity breach or other IT/ systems failure). There was one low priority management action which had already been actioned.
86. The Director of Information & Funding commended the work of the IT Manager and his team on completing the Cyber Essentials accreditation and maintaining IT risk management systems and controls.
87. The committee welcomed the assurance provided by the outcome of the audit, especially given the prevalence and ongoing risk of cyber-attacks in the education and other sectors, and recorded appreciation to the IT team.

Key Financial Controls

88. The committee had received the report of RSM (3. 21/22) on the College's online store key financial controls which provided reasonable assurance that this purchase platform has well-designed controls to support the integration of the online store and its financial processes and benefits from knowledgeable staff. The audit also identified further improvements which could be considered by management to improve the functionality of the store and the documenting of refunds and debt recovery.
89. The Finance Manager acknowledged that current system constraints meant the use of two systems (the online store log and Open Accounts) to log actions to record debts and that this increased the risk of administrative duplication and inefficiencies but assured the committee that there was no financial risk in relation to debt recovery.
90. The committee noted the assurance provided by the audit and that College management had agreed to the action and would ensure that consistent logs were maintained.

Learner Number Systems

91. The committee had received the advisory report of RSM (4. 21/22) on Learner Number Systems which had identified five low priority actions, none of which had led to a funding error, and confirmed examples of compliance with the funding rules from the sampling undertaken.
92. The Deputy Principal provided an update and further context in relation to the action points.
93. M Cheetham confirmed that this was a positive audit report, noting that all providers audited by RSM had actions relating to apprenticeships give the nature of the processes required.

94. The committee welcomed the undertaking of a detailed audit for Learner Number Systems and the confirmation provided to the committee and management in relation to funding data quality and the ILR (Individualised Learner Record).

Follow-Up

95. The committee had received the report of RSM (5.21/22) which confirmed that the College had demonstrated good progress in implementing agreed management actions from four previous audits.
96. The committee commended the continuing commitment of management to respond to learning points from the internal audit programme and noted that the outcome provided assurance about the thoroughness of the control processes exercised by management.

Progress Report

97. The committee had received for information RSM's progress report on the 2021-22 internal audit plan, together with an RSM report on Emerging Issues for FE.
98. M Cheetham confirmed that RSM expected the Staff Wellbeing and the Progression and Destination Processes audits to be completed by year end.
99. The Principal explained that management had asked RSM to assess the staff wellbeing processes in relation to staff aspects of the AOC Mental Health and Wellbeing Charter.
100. The committee noted RSM's report on Emerging Issues for FE which, it was agreed, provided a useful summary of developments notified to governors via various routes.
101. The Committee Chair proposed that the NAO's good practice guide for audit committees on cyber and information security be considered by the committee at a future meeting.

RISK MANAGEMENT

Risk Register

102. 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 (24 May 2022).
103. The committee noted the variations in the scoring of risk since the last meeting and the Principal summarised the developments, including in relation to student safeguarding and mental health (risk 9) and commercial activity (risk 13) with confirmation that language school business would not take place this summer.
104. Responding to a member's request for further information about one of the key risk indicators for risk 9, the Deputy Principal explained that the College could seek legal advice if complaints were submitted by lawyers on behalf of students. This was a relatively rare situation for the College but becoming more common place in the HE sector as a whole.
105. The committee also discussed with the Principal and Deputy Principal risk mitigation actions being taken by management in relation to recruitment/growth targets (risk 4) and in relation to Andover College.
106. The committee noted positive developments regarding strategic/structural relationship challenges (risk 2) in the form of the partnerships agreed with colleges and employer representative groups for the second Strategic Development Fund (SDF) funding round and the Local Skills Improvement Plan (LSIP), the details of which had been reported to the Curriculum, Employers & Market Requirements Committee. There were positive indicators that the SDF application would be successful.

107. The Principal provided an update to the risk register in relation to employee relations and industrial action, explaining that UCU was in dispute with the College about a national 10% pay claim.
108. The committee welcomed two developments to the risk register to respond to feedback from the committee and the internal auditors: the RAG rating of key risk indicators and the move of completed actions to an appendix.
109. Responding to a member's observation about the clustering of risks towards the top right quadrant of the heat map, the Principal explained that the SLT's assessment responded to the continuing high level of uncertainty and change caused by the pandemic and current global events which made forecasting and other actions exceptionally challenging. For example, the SLT had considered whether risk 12 (learners with lack of experience of external assessment) remained a key strategic risk for 2022-23 but had agreed that there was still a high level of uncertainty about the level of learning and support new students would need because of the impact of the pandemic on their education in school.
110. The member was reassured that the scoring resulted from caution, rather than complacency, and noted the additional assurance provided by the internal audit programme.
111. The Principal highlighted the updates to the College's Covid-19 risk assessment, noting that the SLT would review and recommend whether to continue with the Covid specific risk assessment after July.
112. The committee commended the way in which the SLT had used the risk assessment, in line with DfE guidance, as a live document to focus attention, drive actions and support communications with the staff through the pandemic.

Risk 10 Deep Dive

113. The committee had received a 'deep dive' report on risk 10 (severe business disruption) from the Deputy Principal, highlighting key events in the College's response to Storm Eunice. The storm had resulted in loss of power and water supplies, particularly high risk on a 24-hour residential land-based campus with a farm and zoo, and the designation of the situation at the College by Winchester City Council as a major incident.
114. The Deputy Principal praised the professionalism, commitment and technical expertise of the staff involved and explained lessons which had been learnt both about dealing with external providers and the College's internal processes and estate.
115. The committee agreed that the report offered a detailed and informative account of a severe business disruption, which had been a major test of crisis management procedures and welcomed the commitment of management to draw lessons from the incident to inform the management of future incidences. The committee also commended the way in which management and staff had responded and ensured the safety of everyone involved.
116. The Committee Chair suggested that other governors would find the report informative, and the Head of Corporate Governance undertook to circulate it to the Board for information.

Risk 5 Deep Dive

117. The committee received a presentation on risk 5 (regulatory compliance and quality marks) from the Principal, Deputy Principal, Vice Principal & Dean of Higher Education and Vice Principal Curriculum (Sparsholt). The presentation covered examples of key areas of

standards and compliance: Ofsted; the Office for Students (OfS); the Royal College of Veterinary Surgeons (RCVS); the Register of Approved Training Providers (RoATP); and the Zoo Licence and Equine Centre accreditations.

118. The committee welcomed the comprehensive presentation and the evidence of actions being identified and implemented to seek to mitigate the risks.
119. In relation to Ofsted, a member reported a presentation from Ofsted to the AOC Chairs & Vice Chairs forum which had set out how Ofsted would assess the way in which colleges were meeting skills needs under the enhanced inspection framework.
120. Members reflected on the volume and range of compliance and standards activity required across the College's curriculum offer, the amount of management time involved and the need to have experienced and skilled managers and staff in place. It was noted that the ability for SLT member to be able to prioritise their time on key issues and the potential resource implications of ensuring compliance and standards also required the support of the Board.

Risk Management Policy

121. The committee had received the report of the Principal on the annual review of the Risk Management Policy and risk register, ahead of the updated documents being presented to the Board of Governors in October.
122. The Principal reported that the SLT believed that the changes made to the risk management process in 2021-22, as a consequence of the previous review of the Risk Management Policy, had been effective this academic year. The only updates proposed to the policy were therefore the changes to the format of the risk register which had already been agreed by the committee: the reporting of completed actions in an appendix and the RAG rating of key risk indicators to show if they were close to being triggered or actually triggered.
123. The committee noted that the Principal had undertaken an assessment of the risks on the current strategic risk register with the key risk factors faced by the sector, as reported in RSM's Analysis of Education Risk Registers (April 2022). This had confirmed that all new and evolving risks identified by RSM were already evidenced in the College's risk register. However, the Principal had also recommended updating the strategic risk register for 2022-23 to include one new risk and to revise some of the current risks to more fully capture a number of sector risks which were relevant to the College. The new proposed risk was 'Failure to develop and deliver appropriate curriculum provision', linked to the Government's curriculum reforms and the wider ambitions for skills and training referenced in the Skills and Post 16 Education Bill.
124. **Resolved** – that the Board of Governors be recommended to approve the updated Risk Management Policy and risk register for 2022-23, subject to finalisation of the risk register for the October Board meeting.

INTERNAL AUDIT PLAN

125. The committee had received the Internal Audit Plan 2022-2023 which was again for a total of 35 days, and draft Internal Audit Strategy for 2022-24.
126. M Cheetham explained the factors informing the proposals and that proposed audits had been discussed with the SLT. The risk-based assurance audits proposed were 'Readiness for T Levels' and GDPR compliance. M Cheetham explained that careful consideration

would need to be given to the timing of the T Levels audit in order to benchmark with other colleges.

127. Asked by the Committee Chair if the internal audit plan aligned with the external audit strategy, S Blakemore for Buzzacott confirmed that she welcomed the inclusion of an audit on ILR data and key financial controls each year.
128. *Action:* RSM agreed to the committee's request to include a third year in the draft internal audit strategy presented in June 2023.
129. **Resolved** – that the Board of Governors be recommended to approve the Internal Audit Plan for 2022-23.

EXTERNAL AUDIT STRATEGY

130. The committee had received the External Audit Strategy for the year ending 31 July 2022 from Buzzacott which covered the financial statements audit, regularity assurance and return to Teachers' Pension Scheme audit, and set out an indicative timetable.
131. S Blakemore confirmed that there were no new requirements for external auditors from the ESFA this year and highlighted priority areas identified in the audit strategy.
132. Asked about the number of high-risk areas in the strategy, S Blakemore explained that the number did not indicate any particular concerns in relation to the College. The high-risk areas were made up of some matters common to all audits and some linked to the type of organisation.
133. The report provided a summary of changes to the ESFA 2021-22 College Accounts Direction and the 2021-22 Post-16 Audit Code of Practice (ACOP). S Blakemore noted the annex to the ACOP on regularity concerns identified by the ESFA in the FE sector and suggested this be reviewed by the committee.
134. *Action:* Annex C to the ACOP to be circulated to members after the meeting and included in the papers for the November Audit Committee meeting.
135. Responding to a member's question, S Blakemore explained the approach that Buzzacott would take to reviewing the ILR audit by the internal auditors and confirmed that Buzzacott was not expecting to require any changes to the scope of next year's ILR audit.
136. Responding to a member's query about the reference to ad hoc tax services provided by Buzzacott, the Finance Manager explained that this was in relation to advice provided about IR35 tax rules for contractors because of the complexity of the issues sometimes involved and the potential financial risk to the College of non-compliance with tax regulations. The committee concurred that this was a reasonable precaution.
137. **Resolved** – that the External Audit Strategy for the year ending 31 July 2022 be recommended for approval to the Board of Governors.

PROCUREMENT AND VALUE FOR MONEY

138. The committee had received the annual report of the Director of Finance on procurement so that the committee could advise the Board on the effectiveness of the College's arrangements for securing value for money.
139. The committee noted that public procurement thresholds had changed in the UK from January 2022, with contract value estimations now required to be inclusive of VAT (unless exempt).

140. The Director of Finance confirmed that the procurement function always strove to demonstrate value for money and had a focus on reducing commercial risk when agreeing contracts, lease agreements and purchase orders. It also acted to ensure continuity of service by re-sourcing alternative suppliers when required. However, procurement continued to be materially affected by a host of external factors including Covid, Brexit and the Ukraine conflict. Given price inflation, the procurement function's role had become more about maintaining current costs or limiting cost increases while also ensuring best value for money by testing the market.
141. Asked whether the Crescent Purchasing Consortium (CPC) also provided market intelligence, the Director of Finance explained that there was more to do to develop the relationship with the CPC but that the scope of the CPC did not tend to cover specialist land-based purchases and therefore advice was sought from other partners.
142. The committee noted the actions and mitigations which the College was putting in place to seek to mitigate cost inflation, including the use of an additional energy broker and the expertise of College teams to help identify cost controls for areas such as animal feed and fertiliser.
143. The committee welcomed the clarity of the report and the continued commitment to securing value for money, minimising cost inflation and managing service levels.
144. The Director of Finance commended the work of the Procurement Officer who was leaving the College and noted the current recruitment process for a successor.

FINANCIAL ASSURANCE

145. The committee had received the letter from the ESFA to the Principal of 30 March 2022, confirming the College's financial health grade for 2020-21 as Outstanding following a review of the College's audited financial statements.
146. The committee welcomed the assurance provided the ESFA financial health grade.

COUNTER FRAUD

147. 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.

GOVERNANCE

Audit Code of Practice & Regularity Audit

148. The committee had received the report of the Head of Corporate Governance providing information about the ESFA's Post-16 Audit Code of Practice 2021-22 (ACOP) in relation to the role of the audit committee and about the regularity audit process for 2021-22.
149. The committee noted the ACOP included a more detailed definition of 'significant fraud' and the proposal to update the committee's terms of reference to reflect this.
150. **Resolved** – that the Board of Governors be recommended to approve the updated terms of reference of the Audit Committee.
151. The committee noted the ACOP requirements for the presentation of the external auditor's findings and endorsed taking a similar approach to the previous year, with the agreement of the external auditor.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

152. The Committee Chair sought feedback from members of College management as to their perspective on the internal and external auditors' activities.
153. SLT and management members present confirmed that there were no performance concerns. RSM were able to provide added value through the auditors' knowledge of the funding guidance, although occasionally there were perceived to be delays with some reports being issued and finalised. Buzzacott responded promptly to communications and no concerns had been identified with the audit planning process.
154. The committee noted the forthcoming temporary change in internal audit manager due to maternity leave and that the covering manager had previously worked with and had a good level of knowledge of the College.

External auditor

155. The committee had received the report of the Director of Finance recommending that the two-year extension option within the contract for the external auditor, Buzzacott, be confirmed.
156. The Director of Finance noted that Buzzacott had been appointed in October 2019 for an initial three-year period with the option to extend by a further two years. The ACOP required that the external audit service be retendered at least every 5 years. The Director of Finance highlighted the reasons in relation to performance, value for money and knowledge and efficiencies by which he was recommending the contract extension from October 2022. It was noted that there was a limited number of experienced audit firms currently operating in the FE sector.
157. Committee members noted the positive performance review of Buzzacott at the previous meeting and continued to be satisfied with the clarity and approach of the audit strategy and planning process.
158. **Resolved** – that the Board of Governors be recommended to approve the two-year extension period (from 19 October 2022) for Buzzacott LLP within the terms of the contract.
159. The meeting closed at 12.40.