

**SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 17 March 2023 at 09:30
via online video conference**

¹PRESENT G Davies (E); A Fagg (C); M Lauder (E) (Chair); SJ Radford (C); C Wilson (E).

In attendance: E Gipson, RSM (to minute 75)
S Grant, Deputy Principal (from minute 6)
S Hermiston, Director of Information & Funding (mins 6 to 26)
N Heslop, Director of Finance (from minute 6)
C McCormack, Governor
J Milburn, Principal (from minute 6)
B Stokes, Vice Principal Curriculum Andover (minutes 6 to 45)
M Treagust, Vice Principal Curriculum Sparsholt (minutes 6 to 45)
S Willson, Head of Corporate Governance

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 auditors' experience of working with College management since the last meeting.
3. E Gipson reported that good progress had been made with the 2022/23 internal audit programme, with no significant issues having arisen from the audits already completed or in progress.
4. E Gipson noted that the report of the Staff Wellbeing audit during 2021/22 was being presented at the meeting after a lengthy dialogue between RSM and College management had failed to reach agreement about some of the wording of the report. Although reaching an impasse, the discussions had been conducted openly and with respect and were not expected to hinder the auditors continuing to deliver the current internal audit programme.
5. The Committee Chair noted that she was aware of the delay in issuing the final report and some of the issues behind this and welcomed the reassurance about the continuing relationship between the auditors and College management.

MINUTES

6. **Resolved** - that the minutes of the meeting held on 15 November 2022 be confirmed as a correct record.

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

* attended remotely via online videoconference

7. Emerging Issues Report (minute 179/22): The Principal reported that, as a result of the implications of the Harpur Trust v Brazel Supreme Court decision, the Government had undertaken a consultation exercise on the calculation of holiday entitlement for part-year and irregular hours workers. It had been reported to the Resources Committee that management was awaiting the outcome before reviewing if the College needed to take any further actions.
8. 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

Staff Wellbeing

9. The committee had received the report of RSM (7. 21/22) on a review of the controls in place to support staff health and wellbeing. This was an advisory report and did not give an audit opinion.
10. The report confirmed overall good evidence of design and compliance and examples of good practice in the majority of the control areas reviewed but identified some areas where the auditors questioned the adequacy of the evidence and considered additional measures would increase effectiveness. In contrast, College management believed there was good and appropriate evidence of effective design and compliance in all areas, while also recognising that some of the advisory points had been helpful and had been taken forward to further enhance College processes.
11. The Principal explained for the information of the committee a number of points of the process which management had questioned and the apparent disconnect between elements of the report and practices within the College. In particular, College management believed the way in which the report assessed 'compliance' was misleading and particularly jarred with the demonstrably strong and ongoing commitment the College had made to supporting staff wellbeing through its strategic plan and underlying initiatives.
12. The Vice Principal Curriculum (Sparsholt) additionally explained that the College had sought a review which would add value, rather than focus on compliance, and noted that there had been some useful examples given that could assist with developing the College's approach.
13. E Gipson also emphasised that the report had recognised a range of good practice and proposed reissuing the report without the 'compliance' ratings to allay some of the misgivings.
14. The Principal offered to further review the advisory points and report back to the committee on actions taken or to be taken forward under a future risk register deep dive presentation.
15. In discussion, committee members raised a number of points about the audit process and findings and questioned how a similar mismatch of interpretations between the auditors and management could be avoided in the future.
16. E Gipson and SLT members undertook to manage adjustments to the processes for the scoping of specialist audits and the debriefing meetings to seek to address any misunderstandings earlier in the process. RSM and management also undertook to hold a 'lessons learnt' discussion.

17. Summing up the points discussed, the Committee Chair noted that the audit had recognised a significant amount of good practice in relation to staff wellbeing and that, while there appeared to be a disconnect between this and the assessment of 'compliance', there was value in being exposed to wider ideas. Staff wellbeing was an important area but the approach taken needed to be proportionate with the College setting and the available resources, alongside the ambition to continue to develop going forward.
18. The committee agreed to the reissue of the report as proposed by RSM and to the presentation of a risk deep dive as proposed by the Principal.

Risk Management - Sustainability

19. The committee had received the report of RSM (1. 22/23) on risk management which focused on a deep dive into the risk register risk 15 'Sustainability: the College fails to identify, understand and/or respond to climate changes potential threats and opportunities'.
20. The audit confirmed that the Board could take substantial assurance that the controls on which the College relied to manage the risk were suitably designed, consistently applied and operating effectively. There was one 'Low' level management action identified to ensure that only elements of management oversight were detailed in the 'assurance evidence' section of the risk register and this action had been addressed by management.
21. The committee welcomed the assurance provided by the audit, noting that the auditors had confirmed that the risk and impact were clearly defined, the scoring was appropriate and the controls sampled were operating as detailed in the risk register.

GDPR

22. The committee had received the report of RSM (2. 22/23) on General Data Protection Regulation (GDPR) governance.
23. E Gipson explained that RSM did not give an audit opinion for this type of audit but that, overall, the auditors had found that there were effective controls operating successfully in practice, such as in relation to Subject Access Requests and Data Breaches. The auditors had raised two 'Medium' and five 'Low' priority management actions to strengthen the framework in place.
24. The Director of Information & Funding confirmed that both Medium priority actions and one of the Low priority actions had been completed and the other actions were to be completed by 30 August 2023, although he had questioned RSM's assessment of the two risks as Medium rather than Low.
25. E Gipson noted that there had been a discussion between RSM and management about the level of risk and explained that the auditors' assessment was consistent with similar reviews undertaken by RSM at other FE colleges and took into account that small risks arising from minor gaps in the way data or IT security related information was documented had the potential to have significant consequences, notwithstanding the excellent level of knowledge of the Director of Information & funding.
26. Committee members were content with the robust approach taken by the auditors and were assured by the findings of the audit and the confirmation of management to undertake the actions.

Progress Report

27. The committee had received for information RSM's progress report on the 2022-23 internal audit plan, together with RSM client briefings on emerging risk considerations, the reclassification of FE colleges back into the public sector, and the benchmarking of internal audit findings 2021-22 in the FE sector.
28. E Gipson confirmed good progress with the 2022-23 internal audit programme, noting that there were no significant control issues emerging from the 'Readiness for T Levels' audit which was underway but that there were currently sector wide challenges presented by the delays to rolling out new T Levels.
29. Responding to a member's question, E Gipson confirmed that all four remaining audit reports should be deliverable for the June meeting of the committee.
30. The Committee Chair noted that RSM's 'risk radar' report on emerging risk considerations provided useful guidance about identifying emerging events or threats which could impact on the business either negatively or positively and suggested that undertaking a risk radar exercise at a future meeting could be worthwhile.
31. The Committee Chair also highlighted the positive position of the College in terms of the levels of assurance and number of management actions raised compared to sector averages.
32. The Principal reported that the SLT had reviewed RSM's thematic overview of 'High' management actions in the sector in order to benchmark the College's practices and, where a need for further action was identified, this was being progressed.
33. The Deputy Principal confirmed that an external company was being brought in to run an IT disaster recovery training exercise and that the outcome would be reported to the committee.
34. Following a co-opted member's request for training on the impact of the ONS reclassification, the Head of Corporate Governance undertook to circulate a summary produced by the Director of Finance to supplement the information already circulated and E Gipson offered to arrange a short training session around the June meeting of the committee.

RISK MANAGEMENT

Risk Register

35. The committee had received the report of the Principal on risk management, together with the strategic risk register assurance report and heat map.
36. The Principal summarised the developments, noting that of the 15 risks, there were five risks which were still graded as 'very high' after controls had been applied (3, 4, 5, 9, 10) and three risks where the residual risk rating had decreased (2, 8 and 9), explaining the key reasons for the assessment.
37. The Principal updated the committee on the position regarding employer relations and the proposed pay award, noting that the delay in being able to enact a pay award was further pressurising staff recruitment and retention, particularly at the lower end of the pay scales.
38. The Committee Chair pointed to the number of updates of the controls and key risk indicators (KRIs) and the summary of activities as evidence of the active use of the risk register in the College's risk management.

39. Responding to a member's enquiry as to how dynamic the monitoring of the KRIs was, the Principal explained that the KRIs were a relatively new addition to the register and the way in which management actions linked to the KRIs. The Vice Principal Curriculum (Sparsholt) gave the example of the student attendance rates KRI and summarised actions which had been put in place to improve attendance.
40. At the member's suggestion, the Principal undertook to include the KRIs in the Healthcheck report, noting when a KRI had been breached.
41. The Principal explained that the scheduled management deep dive on risk 7 (with a focus on health & safety) had been postponed due to the unavailability of the Health & Safety officer and confirmed she would respond to any questions about risk 7.

Risk 2 Deep Dive

42. The committee received a presentation on risk 2 (curriculum provision and reforms) from the Vice Principals which highlighted the current challenges and emerging risks in relation to the sector FE curriculum reforms on issues such as student recruitment and achievement. The Vice Principals also outlined the range of activities which management were undertaking to seek to mitigate the risks in relation to the development and delivery of provision.
43. The Principal highlighted the level of financial risk involved as a result of the deferral of the commencement of some land-based T Level pathways from September 2023 to September 2024. This had an impact on the 2023-24 financial forecast because T Level funding was in-year rather than lagged.
44. The Deputy Principal gave further information about the mitigating action in relation to growing 19+ provision, noting that a funding application had been submitted for additional adult funding based on the plans. The Deputy Principal also reported a new DfE Local Skills Improvement Fund (LSIF), linked to the Local Skills Improvement Plan (LSIP), with the employer representative body expected to submit an expression of interest for the region in April.
45. The committee noted the difficulties and uncertainties being experienced as a result of the curriculum reforms and funding and that the Board could be advised that College management understood the risks and was taking mitigating action where possible.

Insurance

46. The committee had received the report of the Director of Finance and the 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.
47. The report also provided confirmation of the College Group's current insurance policies and the committee was assured that adequate insurance was in place and that this complied with the minimum requirements of the ESFA funding conditions. It was also noted that, following reclassification of colleges as central government, there had been no changes as yet to these requirements.
48. The Director of Finance highlighted the confidential summary of insurance claims and members sought additional information about some of the individual cases.
49. Following a member's request, the Director of Finance undertook to include some year-on-year trend data in future annual reports to the committee.

50. Members also questioned the policy for when a claim was made and how this related to achieving value for money for the College in relation to the cost of insurance premiums. The Director of Finance confirmed that Zurich undertook analysis of claims and had confirmed that the level of claims from the College was reasonable (for example, for the number and type of vehicles in use). When a potential claim arose, College officers discussed it with the insurers and would normally claim if the matter was confirmed to be insured, referring anything exceptional to the SLT for consideration. The procedures for insurance were set out in the Financial Regulations.
51. The Director of Finance noted that he was reviewing with the Farm Manager whether the current insurance level provided by the NFU (livestock) policy remained fit for purpose or should be increased.
52. The committee noted that the College continued to hold a reasonably good insurance claim record overall and that there was currently no change to requirements following the ONS reclassification of colleges.

COUNTER FRAUD

53. 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.
54. Responding to a member's question as to whether examples of fraudulent activity elsewhere in the sector were shared in order that the College could review its own processes, the Director of Finance confirmed that information was shared via the sector Jisc networks, as well as by RSM and Buzzacott, to assist colleges with strengthening their counter fraud defences.
55. The Committee Chair raised the example in the university sector, recently been reported in the press, of long-term fraudulent activity by a senior finance official at the university who stole over £2m over three years as an opportunity for the College to consider whether there were any areas of risk to address through additional measures. It was noted that there was a range of guidance available to organisations, including the CIMA guide to good practice in fraud risk management.
56. The Principal proposed actions in relation to the CIMA guidance which could provide an additional level of assurance to management. It was agreed that all relevant departmental staff would be involved in future fraudulent risk reviews to ensure that all potential risks had been identified, considered, and were known at all levels within a given department.
57. The Deputy Principal highlighted the need to also be cognisant of lessons from a historical case of fraud and to maintain independent checks in key areas through the work of the auditors.
58. Members agreed the importance of having appropriate risk assessment, recording and reporting procedures in place to mitigate the risk of fraud.
59. The committee was satisfied with the information provided and assured that there were no issues of concern raised by the report and associated information.
60. The Counter Fraud Strategy has been reviewed in line with the cyclical programme of policy reviews and minor updates were proposed.

61. **Resolved** – that the Counter Fraud Strategy be recommended to the Board of Governors for approval.
62. At the invitation of the Committee Chair, members of the SLT present also confirmed that they were not aware of any other matters of potential/actual fraud or irregularity.

GOVERNANCE

Accountability Agreement

63. The committee had received the report of the Principal on the DfE accountability reforms and preparations for the new accountability agreement and FE performance dashboard. It was noted that the report was being presented for information and endorsement at meetings of the Quality & Standards Committee, Curriculum, Skills & Stakeholders Committee and Resources Committee, ahead of the Board of Governors meeting on 30 March.
64. The committee noted the approach to the accountability statement proposed by the Principal and noted that the statement was required to be reviewed and approved by the Board.

Committee Performance Review

65. The committee had received the report of the Head of Corporate Governance providing supporting information for the annual review of performance of the committee, together with Annex C of the ESFA Post-16 Audit Code of Practice (ACOP) which summarised regularity concerns for colleges.
66. This committee review followed the annual report on the work of the committee which had been presented to the Board of Governors in December and included confirmation of meetings held, attendance and business conducted.
67. The supporting information for the review included a CIPHA best practice checklist, consideration of regulatory and funding developments (including the reclassification of FE colleges as central government and related changes to financial decision-making), reference to the ESFA good practice guide for audit committees and the outcome of a survey of members of the committee and SLT members.
68. The Head of Corporate Governance requested that, further to a query from a committee member, the terms of reference be updated to bring the appointment procedures for the committee chair in line with that of other committees of the Board.
69. **Resolved** – that the Board of Governors be commended to approve that the terms of reference of the committee be amended as follows:
1.6 The Board of Governors shall appoint a Chair of the committee for the forthcoming year from amongst the committee's members, except that co-opted committee members may not hold the position of Chair.
70. The Committee Chair invited any further points in relation to the supporting information, including the survey 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.
71. 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.

72. C Wilson noted that it was the last meeting of the committee to be chaired by M Lauder before she stepped down as a governor and thanked her on behalf of the committee for her leadership of the committee and her significant contribution to the College's governance.
73. The Committee Chair thanked the committee members and members of College management, acknowledging the respect shown for the work of the committee and the support given for the committee to carry out its role effectively. The Committee Chair also thanked the auditors and noted the imminent appointment of G Davies as the new Committee Chair.

Whistleblowing

74. The committee had received and noted the annual report on Whistleblowing. This covered two matters raised via anonymous correspondence which had been investigated and reported to the committee at its last meeting and recorded confidentially (as the matters related to individual staff members).
75. The Principal explained the receipt by the College of two further anonymous letters and confirmed the matters covered. It was noted that, as the letters were anonymous, it was not possible to respond to the sender(s).

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

76. The Committee Chair sought feedback from members of College management on the internal auditors' activities.
77. The Principal noted that the discussion which had taken place earlier in the meeting in relation to the Staff Wellbeing audit and the Committee Chair welcomed the assurance from both the SLT and the auditors that a constructive relationship remained in place.

Auditors Performance Review.

78. 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.
79. The Director of Finance confirmed the overall feedback from College management was that the internal auditors (RSM) were well informed, robust in their approach, technically competent and respectful in their challenge.
80. The Director of Finance confirmed that the Finance Manager and he were satisfied with the level of service and expertise provided by the external auditors (Buzzacott) and that the auditors sector knowledge was a good fit with the College. The report also provided confirmation of the assessment criteria for external auditors set out in the ESFA good practice guidance.
81. The Director of Finance noted that there was a risk in relation to the future availability of external auditors if the Government decided to change the financial year of colleges (August to July) to align with central government (April to March).
82. Members again commended the clarity of the external auditor's annual report to the Board.
83. The committee was content to concur that an adequate and effective level of service was provided by both the internal and external auditors.
84. **Resolved** – that the Board of Governors be recommended to note the performance review and confirm the reappointment of:

- a) Buzzacott as external auditors of the College's annual report and financial statements to 31 July 2023 within the terms of the current contract
- b) RSM as internal auditors for 2023-24 within the terms of the current contract.

85. The meeting closed at 12.30.

Approved: 8 June 2023 Audit Committee Meeting