

# South Staffordshire College



## MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 NOVEMBER 2020

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### PRESENT:

Helen Simpson (Chair)	External
Philip Atkins	External <i>present following minute 47</i>
Andrew Elsby-Smith	External
Colin Horwath	Co-opted Non-Governor <i>departed following minute 90</i>
David Isted	External <i>present following minute 49</i>

### In attendance:

Claire Boliver	Chief Executive & Principal (CEP)
David Hoose	Mazars (External Auditor)
Miranda Hughes	Clerk to the Corporation
Karen O-Reilly	Assistant Principal – HR <i>minute 55 to 56 only</i>
Clare Parkes	TIAA (Internal Auditor)
John Snow	Deputy Principal - Finance & Resources
Kim Vaughan	Assistant Principal – Learner Services <i>minute 55 to 56 only</i>

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### APOLOGIES FOR ABSENCE

44      None.

### PRE-MEETING BETWEEN COMMITTEE AND AUDITORS

45      The Committee and auditors met without management present to allow both the opportunity to raise any issues. Neither auditor had any issues to raise with the Committee in private.

46      The External Auditor advised that the 2019-20 audit process had been positive, with nothing adverse to bring to the attention of the Committee. He went on to state that the issues experienced last year had largely arisen because both the Deputy Principal and the Financial Controller had taken up their appointments after the year end.

### DECLARATION OF INTERESTS

47      The Chair and External Auditor declared an interest in the matter referred to under minute 92-94.

### MINUTES

48      **Resolved**      that the minutes of the meeting held on 16 September 2020 be approved as a true and accurate record and signed by the Chair

### Action Grid

49      The Committee reviewed the action grid noting the items closed and reports on five actions still in progress.

## BUSINESS CONTINUITY

### COVID-19

50 The Deputy Principal – Finance & Resources updated the Committee with regard to the volume of staff and students affected by the virus and the business continuity measures in response to this. The CEP went on to report that the switch to online learning continued to take place swiftly and efficiently for those affected with both progress and attendance monitored as a result. Governors were also advised that communications continued to be shared with staff and learners in order to ensure that the College continued to operate in a COVID-safe environment and therefore reduce the spread of transmission. The CEP also advised that, following the publication of arrangements over the Christmas period by the government, business continuity planning would take place in preparation for the return to work and study in the New Year.

51 The subject of heightened testing for students in high transmission areas was raised by a governor where the CEP responded by stating that the matter would be explored further.

52 **Resolved** that the CEP explore the possibility of heightened testing for students.

### Cybersecurity

53 The Committee received an update on cybersecurity by the Deputy Principal, where details relating to the sustained DDoS (Distributed Denial of Service) attack were shared, which also included details of the level of internet connectivity disruption at the College and the enhanced support and service received from Jisc, the College internet provider. Confirmation was received that there had been no security breach of the College network or loss of information and as such the IT team were congratulated for the work undertaken to date.

54 **Resolved** that the College internet provider contract be reviewed.

## INTERNAL AUDIT

### Human Resources & Safeguarding

*(Assistant Principals (Learner Services and HR) in attendance for this item only)*

55 The Committee discussed the scheduling of a future review in relation to the College's updated HR function. On the subject of DBS and Barring processes, confirmation was received that records were in line with external requirements and as such, the Single Central Record was accurate and subject to regular review by staff with specific expertise in this area. The Assistant Principal – HR stated that clear and robust system-based processes were in place which ensured that both quality and compliance in this important area was upheld at all times; a statement which was supported by the Assistant Principal – Learner Services/Designated Safeguarding Lead, having reviewed the processes relating to this subject area.

56 The internal auditor reminded the Committee that a review of Safeguarding had been undertaken in March 2020 which resulted in an outcome of Substantial Assurance. Similarly, she reported that a review of HR was also undertaken in February 2020: a large-scale review of the whole area which resulted in an outcome of Reasonable Assurance. The auditor confirmed that the 2020-21 Internal Audit Programme could be adapted in order to accommodate a review of this specific area.

*(Clerk's Note: Following the meeting, further clarification on the decision-making process was sought and as such, written confirmation from governors was received which endorsed the modification of the Internal Audit Schedule for 2020-21 in order to accommodate an additional assurance review of the abovementioned area in Term 3 of the current academic year. The updated Schedule would be brought to the next meeting of the Audit Committee.)*

### Funding Review of Learner Numbers

57 The Deputy Principal confirmed that RSM would conduct the funding audit in November, with the final report produced in January 2021. A discussion took place with regard to the timing and

significance of the audit completion report, noting that the next scheduled meeting would not take place until 31 March 2021. To ensure that the Committee had sight of the report in advance of the next meeting, the Clerk advised that the document would be shared with members as soon as possible upon receipt to enable the Committee to review its contents and determine if an additional meeting would be required in advance of March.

- 58      **Resolved**      that the final report detailing the findings of the funding review of learner numbers be circulated to Committee members as soon as possible upon finalisation to determine if a meeting in advance of March 2021 is required.

#### **Assurance Review: Procurement**

59      The Internal Auditor provided confirmation that the review had resulted in an assessment of 'Limited Assurance' with one 'urgent', four 'important' and three 'routine' recommendations. The leadership team agreed with the recommendations and associated timescales.

60      The Committee noted the disappointing conclusion of the review and as such, a robust discussion took place with regard to the recommendations detailed within the audit completion report presented.

61      In response to one urgent recommendation, the Deputy Principal advised that the Financial Regulations would be updated accordingly in order to be inclusive of a tendering policy and procedure.

62      The limitations with regard to the requirement of a competitive tender to be undertaken for all items over £75k, authorised by the Corporation, was discussed, particularly concerning the College's plans for growth and the subsequent increase in costs as a result. The Clerk advised that the Corporation had within its powers the ability to conduct decision-making via written resolution and as such, stated that this could be utilised as a means by which to ensure the Board is responsive to urgent matters requiring approval moving forward.

63      A governor noted within the report that a Contracts Register was yet to be in place and as such, requested a progress update on work in this area, specifically with regard to statutory maintenance across the College estate. The Deputy Principal responded by stating that the College was in the process of completing a body of work that would both consolidate and standardise a legacy of pre-merger contractor lists, conducted by the new Head of Estates. The reasoning behind the July 2021 completion timeframe was subsequently questioned where it was confirmed that, whilst the College was now in receipt of a register, it would take a full academic cycle to ensure it was fully exhaustive. When questioned on this, the Internal Auditor stated that this was a comprehensive exercise and, despite the work undertaken following the audit, confirmed that she was in support of the July deadline. She went on to provide assurance to the Committee and stated that, whilst the formal documentation was yet to be complete, the College was in possession of up-to-date tender records which therefore demonstrated that work was being undertaken to enhance record keeping within this area.

- 64      **Resolved**      that recommendation four of the audit completion report be updated to reflect that a process to capture contracts upon renewal is in place and the Contracts Register will therefore be fully exhaustive by July 2021.

#### **Internal Audit Action Grid**

65      The Committee received the 2020-21 Internal Audit Action Grid, enabling them to monitor progress with the implementation of audit recommendations. The Clerk reported that, from a total of 71 recommendations, 54 had now been completed, leaving 15 actions in progress within the set time period and two actions of which were overdue.

66      The Clerk drew attention to the updated format of the report, designed so that the implementation dates detailed within the document were more explicit. The Committee discussed the merits of the updated report and agreed, along with the Internal Auditor, that the document served as a very useful means by which to enable the College to have oversight of this area and determine the progress made against recommendations at each meeting. The Committee gave thanks to the Clerk for this work.

## FRAUD, BRIBARY AND REGULARITY REPORT

67 The Deputy Principal introduced this report which provided a fraud and bribery risk assessment for the College and information on any incidents in the previous year.

68 The Committee's attention was drawn to the one 'red' risk, which related to cash handling. There had been one incident of fraud at the College which had occurred in August 2019 and involved the probable theft of £600 in cash from The Hub in Rodbaston. Confirmation was received the incident was investigated and reported to the Police at the time and also reported to the Committee. The Deputy Principal advised of the action taken to reduce the risk of such an incident happening again, which primarily related to a reduction of cashless methods of payment at the College.

69 Risks relating to both procurement and network security were discussed, specifically in light of the below standard internal audit review and ongoing incidents within the education sector relating cybersecurity matters where confirmation was received that the College would remain vigilant in this area.

## RISK MANAGEMENT

### Annual Risk Management Report

70 The Deputy Principal submitted the Risk Management Annual Report for 2019-20 setting out the key areas of assurance available for the assessment of risk management, along with comparative data from the previous year. These included:

- Achievement of business targets;
- Internal and external audit reports;
- Risk management processes;
- Fraud risk;
- Regularity assessments; and
- Policy framework and other factors.

71 The content of the report was reviewed by the Committee where it was confirmed that that College's business targets had generally been met, despite the fact that COVID-19 had impacted upon result for 2019-20. The outcomes of internal and external audits had been assessed as being 'Reasonable' which was a positive assessment of the College's risk and control environment.

72 A governor queried the operating position detailed within the report and questioned how this was serviced, specifically with regard to the College's borrowing position. The importance of cash levels were subsequently discussed, specifically in terms of ongoing viability and going concern. Confirmation was received that cash levels would be impacted and as such borrowing levels would be reviewed in the event that the College made a loss over a period spanning multiple financial years.

73 The Co-opted governor stated that the report demonstrated that a good framework of risk management and internal control was in place. He went on to query if the risk management structure was embedded in the College and confirmation was received that, due to the recovery position of the College, risk management had been embraced, specifically with regard to the management of its finances. The Deputy Principal went on to advise that a new Risk Management Group was in place, which comprised of both the senior and executive leadership teams and, moving forward, a quarterly review exercise would take place across business areas where risk would be a key area of focus, illustrated by the production and review of departmental risk registers, which would enable departments to possess a thorough understanding of the levels of risk associated to departmental business goals.

74 The Chair thanked the Deputy Principal for the production of the report and requested that it be updated to reflect detail in relation to bank covenant compliance prior to the December Board meeting.

75 **Resolved** that the 2019-20 Risk Management Report be updated to include additional detail in relation to bank covenant compliance in advance of the December Board meeting.

## Risk Register and Action plan

76 The Committee reviewed both the Risk Register and Action Plan; where the 19 key business risks facing the College spread across its five strategic objectives, based on financial impact, reputational impact, and impact on learners were discussed along with associated trend analysis. Attention was drawn to the inclusion of an additional risk which related to crisis management issues which also incorporated loss of services or attack/terrorism incident; added following discussions of the College Risk Management Group.

## COVID-19 Risk Register and Action plan

77 The Committee reviewed the COVID-19 Risk-Register and Action Plan, where the nine key risks facing the College were discussed, along with the progress made. The Deputy Principal advised that the graphs linked to each risk gave an indication of whether a risk had increased or decreased, specifically with regard to increased infection rates in the region. Attention was also drawn to the risk relating to apprenticeship provision and its associated financial impact upon the college as a consequence of the pandemic which had resulted an economic downturn.

## FINANCIAL STATEMENTS & REGULARITY AUDITS

78 The Committee received the external auditor's completion report together with the draft Financial Statements for 2019-20 and the auditor's Letter of Representation. The auditor commented that there remained a few matters still to be clarified as was usual at this time of year and that an unqualified opinion was expected to be issued with no issues of concern to bring to the attention of the Committee. He also confirmed that all six of the recommendations made from the previous year had been fully addressed. A progress update was given relating to the below matters identified as outstanding at the time of issuing the report:

- A review of the final version of the financial statements was reported to be ongoing.
- A review of the change in accounting policy relating to the treatment of capital grants had now taken place by the auditor where confirmation was received that the College had completed this body of work to the required standard.

79 One medium priority internal control recommendation had been issued which related to the strengthening of internal control or enhancement of business efficiency in relation to the reconciliation of asset values between the asset register and the financial accounts. The Chair responded to this by asking why this issue had not been raised in previous years, whereby the auditor confirmed that, whilst this was something that had always been reviewed and discussed with the College and a substantial amount of work had been undertaken and variance reduced as a consequence, further work was still to be carried out to close the gap entirely.

80 The subject of unadjusted bad debt provision totalling £43k was raised where the Deputy Principal advised that a body of work had been undertaken in the previous financial year to write off a proportion of bad debt from 2012 to 2016. He stated that bad debt provision covered all debt dating back to 2016. Confirmation was received that the sum of £43k had now been reflected within the accounts and as such the sum would be categorised as adjusted.

81 A governor queried the total figure detailed within the budget column of the performance tables detailed within the strategic report and as such confirmation was received that this area of the report would be checked for accuracy prior to the final version of the accounts being submitted for approval.

82 On behalf of the Committee, the Chair thanked the Finance Team and the External Auditor for the work undertaken and went on to confirm that governors would have the opportunity to review the final version of the financial statements in advance of the December Board meeting.

83 **Resolved** that, subject to no material changes to the financial statements during the process of finalisation, the Board be **RECOMMENDED** to approve the 2019-20 Financial Statements and the Letter of Representation

## ANNUAL REPORT OF THE AUDIT COMMITTEE

84 The Chair introduced the draft of the Audit Committee's Annual Report which summarised the work of the Committee and the outcomes of audits during 2019-20. Specific reference had been made in the report to the external auditor's medium priority internal control recommendation referred to in minute 79. On the basis of the auditors' reports and the other sources of evidence available, the Committee were satisfied that they could provide a positive opinion to the Board as set out in the report. The Chair thanked the Clerk for the work undertaken in preparing this document in advance of the Committee.

85 **Resolved** that the Committee's Annual Report for 2019-20 be approved for submission to the Board

## INSURANCE REVIEW

86 The Committee received details of the College's insurances for their annual review which were noted. The report included details of claims concluded in the last year together with those that were outstanding. Confirmation was received that the College was in the process of exploring its level of cyber cover with the provider, particularly with regard to the ransomware elements of the current policy.

87 A governor observed that the majority of the policies detailed within the report had zero levels of excess associated to them and as such, queried if the College had given consideration to the cost benefit of adjusting these amounts. The Deputy Principal advised that the existing cover formed part of a long-term agreement with the current provider however, the College would look to retender in the current year where further consideration would be given to this matter as a means to generate further savings.

88 The scheduling of the tender exercise was raised and the Deputy Principal advised that work would commence in the New Year and that any new policy would be inclusive of appropriate cyber cover. The subject of procurement was subsequently discussed where it was reported that, whilst a procurement consortium was used by the College, additional independent support would be sought in order to ensure that the specification was correct in the early stages of the process.

89 **Resolved** that an update on the retendering of the College insurance provider be given at the March 2021 meeting of the Committee: also including a progress update on cyber cover.

## IT ACCEPTABLE USE POLICY

90 The Deputy Principal presented the IT Acceptable Use Policy to the Committee, which combined a number of policies designed to regulate the way that staff, students, governors and visitors/contractors use the College network.

91 A governor queried how the College ensured that individuals read the contents of the document. The Deputy Principal advised that, once approved, the document would form part of a wider IT induction for new starters. For existing staff, he confirmed that a review of the document would be a mandatory requirement which would be embedded at individual team level and also incorporated into new training packages relating to cybersecurity.

92 **Resolved** that the Board be **RECOMMENDED** to approve the IT Acceptable Use Policy.

## APPOINTMENT OF THE FINANCIAL STATEMENTS AUDITOR 2020-21

*(The Chair and External Auditor withdrew from the meeting for this item)*

93 The Deputy Principal presented a report which detailed a process by which to appoint the College External Auditor, covering all key details and timescales of the procurement and tender process. Specific attention was drawn to the following:

- The contract for external audit services was originally scheduled to be re-tendered in advance of the 2019-20 external audit, however, in light of the circumstances surrounding COVID-19,

the Corporation had taken the decision to retain the services of Mazars, the current firm, for a further year, with a view to undertake a full re-tendering exercise in 2020-21 (*referred to under minute 86-87*).

- Since the time of writing the report, it had become apparent that the framework used to procure the external auditor had been subject to a retendering process and as a result of a change in geographical structure, a number of firms listed within the document would no longer be listed within the revised regional framework. Confirmation was received that the tender list within the document would be updated accordingly, along with associated typographical corrections, in advance of the December Board meeting.

94 A governor questioned if a copy of the Financial Statements for the year ending 2019-20 would be issued to firms invited to tender and confirmation was received that this would be the case.

95 **Resolved** that, subject to the above amendments, the Board be **RECOMMENDED** to approve the process of appointment for the 2020-21 financial statements auditor.

## **MEETING BETWEEN THE COMMITTEE & MANAGEMENT**

*(The auditors withdrew from the meeting for this item)*

96 The Committee and management met without the auditors present to allow the opportunity to raise any issues. There were no issues raised with the Committee in private.

97 The Committee and the CEP thanked the Deputy Principal and the Finance Team once again for the work undertaken with regard to the 2019-20 financial statements and regularity audit.

## **ANY OTHER BUSINESS**

98 None.

## **DATE OF NEXT MEETING**

Wednesday, 31 March 2021

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*Chair*

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*Date*