



South Staffordshire College

Meetings of the Board of Governors

Minutes of the Virtual Meeting of the Audit Committee

24 November 2021

8:30am to 10:25am

Governors present: Helen Simpson (HS); Philip Atkins (PA); Andrew Elsby-Smith (AE-S); David Isted (DI);

Apologies received: Dipal Patel (DP)

In attendance: John Snow (Deputy Principal – Finance and Resources) (JS); Claire Boliver (Chief Executive & Principal) (CB); David Hoose (Mazars External Auditor) (DH); Clare Parkes (TIAA Internal Auditor) (CP)

In attendance for Items 1-3: Mike Rowley (Chair of Governors); Tim Legge (Deputy Chair of Governors); Yvonne Bradshaw; Andrea Chilton; Stephen Oliver; Nicola Truman; Gail Steptoe-Warren; Jamie Parsons; Rosie Watchorn

Audit	Agenda Item	Actions
1	<p>Minutes are recorded in the order in which items were taken at the meeting.</p> <p>Welcome and Apologies for Absence</p> <p>HS opened the meeting at 8:30am and welcomed the governors and attendees. Dipal Patel was absent and sent in her apologies after the meeting which were accepted by the Chair. DH left the meeting after item 4. CP left the meeting after minute 7.2 The Governors who are not members of the committee left the meeting after item 3.</p>	
2.	<p>Declarations of Interest</p> <p>There were no declarations of interest in items on the agenda.</p>	
3.1	<p>External Audit Completion Report and Financial Statements</p> <p>In compliance with Post 16 Audit Code of Practice, all governors had been invited to attend the Audit Committee to hear the report from the External Auditor and to raise queries directly with the external auditor.</p> <p><u>External Audit Completion Report</u></p>	JS/DH
3.2	DH presented the draft report for 2020-21 and confirmed the audit was substantially complete with some outstanding matters which would not impact significantly on the audit opinion. <i>This part of the minute is confidential.</i> Subject to the satisfactory conclusion of the remaining audit work, Mazars anticipated issuing an unqualified opinion without modification as set out in Appendix B of the completion report. DS confirmed the draft management representation letter and the draft regularity representation letter both of which reported a clean audit and were standard letters.	
3.3	It was confirmed by JS and DH that the outstanding matters would be finalised following completion of the financial re-forecast.	
3.4	<i>This minute is confidential.</i>	
3.5	The Chair asked about post balance sheets and the risks around the ESFA funding audit which was still in progress. JS reported that the College had raised a complaint with the ESFA auditors due to the unreasonable delay in completing the audit. DH confirmed that this delay would not impact on the completion of the external audit as they had also carried out detailed testing as part of their audit on the ESFA student income. DH was aware that any clawback identified in the ESFA audit could have significant cash flow impact, however this would not prevent Mazars from completing their audit before the ESFA audit had been formally completed.	
3.6	The Chair queried the unadjusted misstatements. JS confirmed that there had been an error around holiday pay accrual and this had now been adjusted. DS confirmed that with the other misstatement, whilst it was of a magnitude that had to be reported it was not a matter of concern to the external auditors.	
3.7	<i>This minute is confidential.</i>	
3.8	JS confirmed the outcome of the recent Ofsted assessment would be included in the final report.	
		JS



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3.9	The Chair noted that the management letter and letter of representation remained in draft format and could not be recommended for approval by board until the external audit report was finalised.	
3.10	<p><u>Financial Statements</u></p> <p>The Committee and Governors in attendance reviewed the annual report and accounts in detail with JS responding to governor questions and comments as follows:</p> <ul style="list-style-type: none"> • negative reserves were normal due to the LGPS deficit and this was the case for most FE colleges • Yorkshire Bank had waived any covenant breach for the 2020-21 year • The Chair noted that the board needed to satisfy itself that the College had adequate reserves and was operating as a going concern. JS confirmed that the College had strong cash reserves to support this. • Student numbers continued to grow this year, albeit, 16-18 recruitment had plateaued but other areas had increased. • The commitment to fund 5% of the Tamworth build cost would not be fixed until the ESFA grant was confirmed and no payments due until the end of the project. JS was asked to provide the accounting net book value of the current Tamworth site compared to the expected sale value. • Staff costs are 2.5% above budget due to more 16-18 students than expected in 2020-21 and are likely to continue to be around 70% of income due to ongoing financial pressures including increasing pension costs. It was agreed that JS would bring this matter to FIG and Audit Committee for further consideration. • No creditors had charged the College for late payment of invoices. JS was asked for information on the percentage of suppliers paid within 30 days to assure the board that the college met the target of 95% set by the Treasury. JS explained that this information is not recorded by the current finance system so only limited information would be available. • The Governance section required updating • The Committee noted that it awaited the outcome of the ESFA funding audit and the final report by Mazars to be assured that the College remained operational as a going concern. • The decrease in other income was due to a reduction in transport income • Key management roles in 2019-2020 had experienced changes in personnel but the current year has been more stable and it was agreed to include a note to the accounts to explain this. • Non-teaching costs had increased but this included all operating costs and IT improvements. Non-teaching staff numbers had not increased significantly. • JS would report back to the committee on the increase in Trade receivables and Pre-payments and accrued income • It was noted that repayments on one Lloyds Bank loan facility would be completed in January 2022 • Governors' expenses related to training and this should be explained in the accounts. 	<p>JS</p> <p>JS/FIG/ Audit</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p>
3.11	The Chair noted that there was further work to be done and asked for the final versions of the Financial Statements to be presented with tracked changes to the Board.	JS
3.12	The Chair thanked JS and the external auditor team for their work and the audit committee members for their scrutiny of the documents. <i>The Governors who were not members of the Audit Committee left the meeting at this point.</i>	
4.1	<p>Meeting between the Auditors and Committee</p> <p><i>JS and CB left the meeting for this item.</i></p> <p>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.</p>	
4.2	CP confirmed that one audit had been completed for this year and the others were booked in according to the plan. <i>DH left the meeting at this point.</i>	
7.1	<p>Internal Audit Report</p> <p>CP presented the Risk Mitigating Controls Internal Audit Report confirming the overall assessment of substantial assurance with no recommendations.</p>	



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7.2	The Chair congratulated the college and the staff involved for the excellent report. <i>CP left the meeting at this point.</i>	
5.1	Minutes of the last Meeting and Action Grid <u>Minutes</u> Resolved: the minutes of the meeting of 16 September 2021 be approved as a true record.	
5.2	<u>Action Grid</u> The committee reviewed the Action Grid noting the actions closed and the updates on the following items still in progress: <ul style="list-style-type: none"> • 31/3/21 174-176 Insurance Review – retendering process to commence in January 2021 for new contracts in August 2022. • 16/6/21 206-207 and 14/9/21 7.7 - Internal Audit Follow up on 2019-20 recommendations – dates in February and July have been agreed with the internal auditor for the follow up work. 	
6.1	Fraud, Irregularity, Impropriety, Cybersecurity & Whistleblowing <u>Annual Report</u> JS presented the annual report for 2020-2021 which provided a fraud and bribery risk assessment for the College and information on incidents in the previous year. JS explained there had been no incidents of fraud in the previous year, however Procurement had been identified as a high risk due to internal audit review of the area. Changes have been made and a Procurement Manager was being recruited. JS outlined the other areas for attention which included recruitment, Student Funding system, Gifts and Hospitality, Cash Handling and Network Security, IT Systems and Data Security.	JS
6.2	The Committee reviewed and noted the areas of risk and requested further information on mitigating actions for high risk areas.	
6.3	<u>Cybersecurity</u> JS reported that the new IT systems had successfully withstood a substantial DDoS attack during the Ofsted Inspection week.	
6.4	<u>Other matters of concern</u> There were no significant matters of concern. The delays to the completion of the ESFA funding audit had been escalated. Covid-19 remains a concern with increasing numbers of staff and student infections. Staff absence could increase agency staff costs.	
7.3	Internal Audit Action Grid JS reported that apprenticeships policy and procedures had been updated following the appointment of the new Apprenticeship Director and would be closed off by the next meeting. The Procurement Manager would be recruited in January 2022. DBS checks were compliant with Ofsted requirements and would be renewed on a 3 yearly basis. Controls had been put in place to ensure that the holiday pay accrual miscalculation would not be repeated.	
8.1	Risk Management <u>Annual Review</u> JS presented the Risk Management Annual Report for 2020-21 setting out the key areas of assurance available for the assessment of risk management, along with comparative data from the previous year including: <ul style="list-style-type: none"> • Achievement of business targets; • Internal and external audit reports; • Risk management processes; • Fraud risk; • Regularity assessments; and • Policy framework and other factors. 	JS
8.2	JS confirmed that the business targets were met during the year with the overall opinion of the Internal Audit Service being assessed as Reasonable which is a positive assessment of the College's risk and control environment and a positive external audit report.	
8.3	Two new risks had been added to the risk register around crisis management and apprenticeship funding and key risks were reported regularly to the board.	
8.4	A governor asked for the report to include information on timescales for resolution to the risks identified.	



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8.5	<u>Risk Registers and Action Plan</u> JS presented the risk registers and action plan with the committee discussing in detail those corporate risks which were increasing. These included HE provision, failure to meeting funding requirements due to low 16-18 student numbers, UK Economic outlook, staff shortages and reduced enrolment due to Covid-19.	JS
8.6	In response to a governor question JS drew governors' attention to the narrative around these increasing risks in the report. Governors asked for the mitigating actions to be included in the narrative.	
8.7	Governors noted and discussed the covid-19 risk register noting the continuing impact on apprenticeships and exams. A new risk around compulsory vaccination had been identified and included in the register. Additional costs associated with Covid-19 were noted.	
8.8	<u>Covenants</u> The Committee noted the continuing risk with the Yorkshire Bank covenant. JS confirmed that there was an ongoing dialogue with all the banks and whilst YB were not likely to provide a waiver he would ensure that YB gave the external auditor the necessary assurance to complete their audit.	JS/MM
8.9	The Chair asked for the Committee to be notified as soon as that assurance had been given to the external auditor as this remained a risk and the committee required this assurance prior to board approval of the Financial Statements.	
9.1	Annual Report of the Audit Committee The Committee received the annual report of the Committee which summarised the work of the committee and the outcomes of audits in 2020-2021. The Chair was pleased to note the relevant experience of the Committee and thanked the Clerk for the draft report.	
9.2	Resolved: that the report be approved for submission to the board subject to inclusion of a summary of the external auditor's work at part 4.	
9.3	<u>Constitution and Terms of Reference for the Committee</u> The Committee noted the skills of the governors on the committee and agreed these were sufficient to meet the Board's needs for this committee.	
9.4	Resolved: To recommend a change to the constitution of the committee to remove the requirement to have a co-opted member.	
10	Any other Business There was no other business.	
11	Meeting between the Committee and Management CB and JS confirmed they had nothing to raise. CB confirmed the college was pleased with the work of the external audit however there was increasing frustration with the delay with the ESFA funding audit.	
12	Date of next meeting The meeting closed at 10:25am. The date of the next meeting is Wednesday 6 April 2022 at 8:30am on Teams.	

Signed electronically by the Chair as a true record

Helen Simpson
16 March 2022