



## South Staffordshire College

### Meetings of the Board of Governors

#### AGREED Minutes of the Virtual Meeting of the Audit Committee

16 March 2022

8:30am to 10:25am

**Governors present:** Helen Simpson (Chair) 'HS'; Philip Atkins; Andrew Elsby-Smith; David Istead;

**Absent without apology:** Dupal Patel

**In attendance:** John Snow (Deputy Principal – Finance and Resources) 'JS'; Claire Boliver (Chief Executive & Principal) 'CB'; Clare Parkes (TIAA Internal Auditor) 'CP'

**In attendance for**

**Item 3:** Julie Evans (Director of MIS) 'JE'; James Flowers (PwC – ESFA Auditor) 'JF'

**Decisions: in bold; Support: Blue; Challenge: Yellow**

Audit	Agenda Item	Actions
1	<p><b>Welcome and Apologies for Absence</b> HS opened the meeting at 8:00am and welcomed the governors and attendees. Dupal Patel was absent without apology. Philip Atkins joined the meeting at 9am during item 8.</p>	
2.	<p><b>Declarations of Interest</b> There were no declarations of interest from the Governors. CP confirmed that she would withdraw from the meeting for item 10 (reappointment of auditors).</p>	
3.1	<p><b>ESFA Funding Audit Report</b> JF presented the ESFA funding audit report and confirmed that 3 funding streams had been audited – AEB, Apprenticeships and 16-19. They had also taken samples of PDSATS reports. JF thanked JS, JE and her team for the efficient and timely provision of information for PwC to carry out the audit which had made the process easy.</p>	
3.2	<p>JF confirmed that PwC had reported by exception and the audit had not found any issues and therefore there was no impact on funding for the College. JF confirmed this was rare for ESFA funding audits.</p>	
3.3	<p>HS thanked JF for his report and JS, JE and her team for the support given to PwC.</p>	
3.4	<p>HS asked whether there was anything in the report that the audit committee should be concerned about. JF explained that human error was always a possibility, particularly with large numbers of learners. The College should continue to monitor and record learners requiring co-investment accurately as this could lead to underclaiming by the College. 'Off the job' training requirements should also be carefully monitored as the ESFA were starting to take an interest in this.</p>	
3.5	<p>The Committee thanked JF for his report and JE for her support and they left the meeting at 8:12am.</p>	
3.6	<p>JS also noted that JE and her team had worked hard during the audit process which had taken place at the same time as the Ofsted visit.</p>	
4.	<p><b>Meeting between the internal auditor and the Committee</b> <i>JS and CB left the meeting for this item.</i> The Committee and auditor met without management present to allow both the opportunity to raise any issues. There were no issues to raise. CP confirmed that internal audits carried out so far had gone well. Future audits were booked in and the College had been very reactive to observations and recommendations.</p>	
5.1	<p><b>Minutes and Action Grid</b> <u>Minutes</u> <b>Resolved:</b> the minutes of the meeting of 16 September 2021 be approved as a true record.</p>	
5.2	<p><u>Action Grid</u> The Committee reviewed the Action Grid noting the actions closed and the updates on the following items still in progress: <u>Insurance review:</u> JS advised retendering has begun and an external consultant has been appointed to support this. <u>Staff costs:</u> JS confirmed the Finance Improvement Group would review the reforecast next week. It would be difficult to hold staff costs to 70% of income. The costs continued to be monitored and teaching staff utilisation was close to 100%. There would be a</p>	



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	benchmarking exercise for support staff, however, as the college had 5 sites there would always be some duplication of roles. It was felt that a target of 67-68% was achievable. It was agreed that this would be reviewed again at the Audit committee in June.	<b>JS</b>
	<p><b>Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing</b></p> <p><u>Cybersecurity</u></p> <p>6.1 JS confirmed that the College IT systems remained robust despite being under regular attack. All traffic from Russia had been blocked. <b>A governor noted that many organisations were also blocking Belarus. HS noted the good work in this area</b> and that this would remain an ongoing issue. <b>It was therefore important for the College to remain vigilant.</b></p> <p><i>Post meeting note – JS spoke to IT Director who confirmed that SSC also blocked Belarus.</i></p> <p>6.2 <u>ISO 27001</u></p> <p>6.3 JS confirmed that the College had passed stage 1 and the final stage 2 audit would take place in July. The Director of IT and Project Performance had drafted a suite of policies which were being reviewed by ELT.</p> <p>6.4 CB agreed that the Director of IT was a strong lead on this and the project was ready to be launched across the whole college in preparation for stage 2 in July. <b>HS asked for the Committee's thanks to be passed onto the Director of IT.</b></p>	
	<p><b>Data Protection and GDPR</b></p> <p>7.1 JS presented the annual report on data protection for the College. The College had been awarded 'Cyberessentials+' kitemark in Summer 2021 and was working towards ISO27001 as noted earlier. JS confirmed that once awarded the ISO would carry out regular audits to ensure the College still met the requirements of ISO27001.</p> <p>7.2 A new website and new systems for student data and HR/payroll had been put in place which were modern, stronger and more secure. The finance systems would also be updated in the current year and the College was considering two different systems.</p> <p>7.3 The College was working with a partner on the ISO audit and were considering moving the DPO role to this new company who were likely to be more proactive with Subject Access Requests than the current DPO for the College.</p> <p>7.4 <b>HS noted that it was important for the College to embed and engage with the ISO27001 award. HS noted that the Audit Committee would want to monitor the implementation of any new finance system.</b></p> <p>7.5 <b>Resolved:</b> to recommended to the Board for approval.</p>	
	<p><b>Internal Audit Reports</b></p> <p><u>Estates Management</u></p> <p>8.1 CP presented the audit report which had an assessment of <b>reasonable assurance</b> and which identified 3 important and 1 routine action points. CP confirmed that there were clear policies and procedures in place. The recommendations related to fire risk and asbestos which had already been actioned by the Estates Management Team. <b>A governor commended the work of the Estates Management Team and JS agreed that the Head of Estates had done very well as this was his first Audit.</b></p> <p><u>Admissions</u></p> <p>8.2 CP presented the audit report which had an assessment of <b>Substantial Assurance</b> and there had been no action points arising from the report. <b>In response to a question,</b> CP confirmed that it was very rare for a college to achieve substantial assurance on Admissions. <b>HS asked JS to thank the Admissions Team for their work in this area.</b></p> <p><u>Follow-up Review</u></p> <p>8.3 CP presented the report and confirmed that the report covered 6 audits from 2020-21 and the Estates Management Audit. 26 recommendations had been implemented and 6 remained outstanding. The Committee discussed progress on the outstanding 6 recommendations and noted the following:</p> <p>8.4 <u>HR 2019-20</u> – the induction checklist would be included in the new iTrent system and be in place by Easter 2022.</p> <p>8.5 <u>Procurement</u> – this had a revised implementation date of June 2022. JS confirmed that the College had drawn up a job description and advert for the procurement manager however it had been put on hold to ensure that funding for the role was available. JS confirmed that if the recruitment did not take place the role would be allocated within the existing Finance team. HS asked for a further update at the next Audit Committee meeting.</p>	<b>JS</b>



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8.6	<p><u>Health and Safety</u> – signing in procedures were in place at Torc, Lichfield and Cannock for fire safety/evacuation purposes but alternative arrangements were being trialled for Rodbaston and Tamworth. JS confirmed that fire marshalls were being trained at these 2 sites to ensure that all rooms had been evacuated in the event of an emergency.</p> <p>HS noted that this was an important issue and felt that the implementation date of July 2022 constituted a significant delay and requested a further update at the June 2022 meeting.</p> <p>JS confirmed that the systems were in place but did not feel comfortable closing off the implementation until it had been thoroughly tested.</p> <p>A governor asked whether electronic systems were being used for staff sign-in. JS confirmed that the College were considering a number of options.</p> <p>A governor asked how often the College had fire drills. JS confirmed these took place termly on each site. Recent drills had looked at assembly points to make sure access for fire engines was not impeded.</p> <p>A governor asked whether ELT were assured that systems were in place.</p> <p>CB confirmed that students were monitored through registers and visitors to all sites were accompanied at all sites to comply with safeguarding procedures</p> <p>JS confirmed that the College Health and Safety Committee would also consider the fire safety systems in detail.</p> <p>HS noted her concerns regarding fire safety drills asked for an update from the Health and Safety Committee before the Board meeting at the end of the month.</p>	JS
8.7	<p><u>Marketing</u> – JS confirmed that Marketing KPI's would be included in the new dashboard to be implemented in April 2022.</p>	
8.8	<p><u>Business Continuity</u> – JS confirmed that all Executive and Senior staff now had each other's phone numbers in their work phones and this action point was now complete.</p>	
8.9	<p>The Committee noted the 26 action points which had been completed. In response to a question, JS confirmed that there was now very little cash being used across the sites except in the Visitor Centre/Animal Zone. Controls were in place and tamper proof bags were being used. The lifting of the covid restrictions meant that it was easier for 2 people to be present when the cash was counted.</p>	
8.10	<p><u>Internal Audit Action Grid</u></p> <p>The Committee reviewed the action grid with 10 actions. The 4 actions from the Estates Management Audit had already been implemented leaving the 6 actions discussed previously. It was agreed that some of these were also completed leaving 3 outstanding.</p>	
9.1	<p><b>Risk Management</b></p> <p>JS presented the Corporate Risk Register and confirmed that there were no new risks. JS recommended that the Covid Risk Register should be discontinued and Covid be added as a risk on the Corporate Risk Register.</p>	
9.2	<p>JS drew the Committee's attention to the following risks which were worsening:</p> <p>C9 – Finance/Breach of Covenant – increasing concern around energy costs. JS confirmed the College had spoken with its energy suppliers and 30% of the 2022-23 energy had already been purchased at relatively cheap prices, which would provide some protection against price rises.</p> <p>C12 – loss of IT systems – the delivery time for equipment had increased due to the international shortage of microchips. The College has taken the decision to bring forward the capital process to allow procurement to begin in May 2022 for the 2022-23 financial year.</p> <p>C16 – UK Economic Outlook – the College had benefitted from increased funding rates which would help offset the reduced number of learners this year (45 less learners).</p> <p>C4 – staff recruitment – HR had been very successful at recruiting new staff however all colleges were struggling to recruit in some areas particularly teachers and assessors in engineering and traditional trades. Pay was very competitive and recruitment was being widened to seek candidates who were ex military or seeking a career change.</p>	
9.3	<p>The Committee carefully reviewed the risk register in detail and noted the following:</p> <p>C1 - Curriculum Development - Recruitment of 16-19 students remained a concern. Open days had been well attended and the admissions process was stronger.</p> <p>C2 – Apprenticeships – this area was improving in quality and recruitment was good.</p> <p>C3 – HE provision – this was worse but is not a significant area of development for the college.</p>	



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	<p>C9 – financial results – <b>governors asked whether the College had any campaign around energy consumption.</b> JS explained that the College had established a sustainability committee and proposed to close down the College for the 2 weeks over Easter. JS agreed that more could be done around gas consumption.</p> <p>C18 – crisis management – a governor asked how the committee could be assured that the risk was improving. JS explained that many classes could be delivered online which reduced the requirement to teach from the buildings. The risk of an intruder remained a concern however staff were checking ID badges regularly throughout the day. ELT regularly reviewed this risk.</p> <p><u>Covid Risk Register</u></p>	
9.4	<p>The Committee carefully reviewed the register and agreed that Covid risk should now be incorporated into the main Risk Register.</p> <p><u>Covenant Compliance Risk</u></p>	
9.5	<p>JS confirmed that there were no concerns with the Lloyd bank Loan. The re-forecast would show a slight improvement.</p>	
9.6	<p>The Barclays loan calculations was impacted by the timing of grants awarded where the grant was received in one year and spent in the following year. This has been discussed with Barclays and JS does not anticipate any issues.</p>	
9.7	<p>The Yorkshire Bank Covenant continues to be a concern and the College was unlikely to achieve 120% of the loan. The bank remained relaxed and were likely to waive the breach. JS had also spoken with Lloyds and Barclays who were content if the College decided to pay off the Yorkshire bank loan as a resolution. JS confirmed he would commence discussions with Yorkshire bank about a waiver.</p>	
9.8	<p><b>HS asked whether the College's commitments to the T- Level capital projects and the Tamworth build would impact on the Covenant Risk.</b> The T Level contributions would form part of the normal annual capital budget so the risk was low. JS felt that whilst the Yorkshire Bank remained a concern, he expected debt levels to reduce over the next 5 years so debt servicing risk would also reduce. He noted it was important to balance the budget and conserve cash earmarked for these projects and future projects.</p>	
9.9	<p><b>Governors noted that the current economy was uncertain and added to the risk.</b></p>	
9.10	<p><b>In response to a question,</b> JS confirmed that the new agreement with Yorkshire Bank allowed the college to pay back the loan early without penalty.</p>	
9.11	<p><b>It was noted that a new sustainable building at Tamworth would improve energy costs.</b></p>	
9.12	<p>HS thanked JS for the update and requested a written report on covenant risk for the next meeting.</p>	<b>JS</b>
9.13	<p><b>Risk Management Policy</b>            JS presented the Risk Management Policy and confirmed that the policy had been updated to reflect that the College had a moderate appetite for risk and was in good financial health with good cash reserves.</p>	
9.14	<p><b>HS noted that the College should ensure that they were clear on the risks and agreed it was important to carry out risk assessments before taking any actions.</b></p>	
9.15	<p>It was noted that individual risks on the risk register are reassessed on a termly basis and clause 3.7 should be updated to reflect this.</p>	
9.16	<p><b>Resolved:</b> to recommend approval of the policy to the Board.</p>	
10.1	<p><b>Reappointment of Auditors</b>  <i>CP withdrew from the meeting.</i>            JS presented his assessment of the performance of the external auditor and recommended their reappointment for a further year.            The committee agreed that Mazars had performed well. It was agreed that the College would benefit from having a new partner overseeing the audit at some point during the contracted term.</p>	
10.2	<p><b>Resolved:</b> to recommend the re-appointment of Mazars as external auditor for a further year.</p>	
10.3	<p>JS presented his assessment of the performance of the internal auditors and recommended their reappointment for a further year. The committee agreed that TIAA had performed well.</p>	
10.4	<p><b>Resolved:</b> to recommend the reappointment of TIAA as internal auditor for a further year.</p>	
10	<p><b>Any other Business</b>            There was no other business.</p>	



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11	<b>Meeting between the Committee and Management</b> There were no issues raised in private with the Committee.	
12	<b>Date of next meeting</b> The meeting closed at 9:50am The date of the next meeting is Wednesday 15th June 2022 at 8am.	

**The draft minutes of the meeting were agreed as a true record at a meeting of the Audit Committee on 15<sup>th</sup> June 2022**