

Minutes of the Virtual Meeting of the Audit Committee
20 September 2023
8:30am to 10:30am

Governors present: Helen Simpson (Chair) 'HS'; Philip Atkins 'PA'; Andrew Elsby-Smith 'AES' and David Isted 'DI'

Apologies: David Hoose (Mazars External Auditors) 'DH'

In attendance: John Snow (Deputy Principal – Finance and Resources) 'JS'; Jane Butterfield (TIAA Internal Auditor) 'JB'; Claire Boliver (CEP) 'CB'; Jo Hutchison (Head of Governance) 'HoG'; for item 12 only - Roopa Patel-Harji (Validera Internal Auditor) 'RPH'

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

Audit	Agenda Item	Actions
1	Welcome and Apologies for Absence HS opened the meeting at 8:30am and welcomed the governors and attendees to the meeting. Apologies from DH were noted, and JS joined the meeting at item 4.2. JB left the meeting after item 7.3. RPH joined the meeting at item 12.	
2	Declarations of Interest There were no declarations of interest.	
3	Meeting between internal auditors and the Committee <i>CB left the meeting for this item</i> <i>[Redacted due to confidentiality]</i>	
4.1	Minutes and Action Grid <u>Minutes</u> An additional meeting of the Audit Committee was held on 4 September 2023 to consider and make a recommendation to the Board on the appointment of Internal Auditors for the Corporation.	
4.2	Resolved: the minutes of the meetings held on 28 June 2023 and 4 September 2023 be approved as a true record. <u>Action Grid</u> The Committee reviewed the action grid noting that all actions were closed apart from the ongoing action on bank covenants which was discussed later on the Agenda.	
5	External Audit JS provided a verbal update on the progress on the interim external audit and Teaching Pension Scheme (TPS) audit. JS reported that no issues were identified in the interim external audit which was completed in August. This had involved more work for the Finance team as well as the auditors in terms of system processes which was expected given the additional requirements following the ONS reclassification of the Further Education sector into central government sector. The TPS audit had progressed as expected with no issues identified to date. Following a question from a Governor JS clarified that it was expected that the audit would be completed on time.	
6	Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing	
6.1	<u>General update on regulatory matters</u> JS reported that there were no issues to report about data protection, fraud or suspected fraud, nor around irregularity or impropriety. There would be the annual Health & Safety report presented to the Board in October, which did not indicate any issues. There were no cyber security issues over the summer and there had been no issues of Whistleblowing and the new Whistleblowing Policy was on this Agenda. JS reported that the induction process for new starters highlighted the Whistleblowing Policy and following the approval of the new Policy there would be an exercise to raise the awareness of this policy through different channels.	
6.2	<u>Reinforced Autoclaved Aerated Concrete (RAAC) update</u>	

<p>6.3</p> <p>6.4</p>	<p>JS presented the report which had been requested by the Committee to provide assurance that College properties were not affected by RAAC, which had been the subject of media interest nationally. In summary JS reported that:</p> <ul style="list-style-type: none"> • RAAC was generally found in flat roofs rather than floors and walls. • The internal College team undertook an assessment around 2 years ago and did not believe that the College had any RAAC based on the style and age of our buildings and this had been supported by a non-intrusive survey undertaken by an external contractor. • Given the additional concerns raised nationally over the summer, a number of College roofs had been reinspected (using invasive tests where appropriate) and a small number would have a second survey by an external contractor. • The one site where confirmation was still awaited was at TORC, where the Two Rivers School which was connected to TORC had been surveyed and had been advised that there was no RAAC. The College was seeking confirmation of this. • The College had responded to a DFE RAAC questionnaire earlier in the Spring 2023 and the College had now been asked to submit a further questionnaire on the subject <p>A Governor thanked JS for the clear and succinct update and a Governor confirmed that the update received did provide assurance, in the context of investigations undertaken in their external experience.</p> <p>A Governor asked for clarification around the College's understanding of any asbestos at the college's sites, where JS reported that the College had a full asbestos register and if any construction works were planned (for example such as at Cannock over the summer) an external contractor was routinely brought in to undertake an asbestos check prior to removal.</p> <p>A Governor sought clarification on when the assurance regarding the buildings at TORC was expected to be received, where JS reported that it was hoped this would be received as soon as possible within the next week and the Committee requested that members be alerted if any RAAC was identified, otherwise if no issues were identified this could be reported to the next meeting.</p> <p><u>Insurance Review Report</u> JS reported that the College had retendered for its insurance service earlier in 2023 and had moved provider from Zurich to FE Protect. It was reported that the transition in providers had been smooth, the College was in the process of going through a revaluation process for the buildings (including site visits) and cover had been increased in some areas, including Governors' liability, which had been increased, following recommendation by FE Protect</p> <p>A Governor sought clarification on the insurance position for the impact of infectious diseases such as COVID, which JS reported would be covered under business interruption.</p> <p><u>Gifts and Hospitality Register</u> JS reported that this Register provided the full year position, which provided an update from the position reported to the Committee in June.</p> <p>A Governor requested further information on how the requirement to record the receipt of Gifts and Hospitality was communicated to staff. JS reported that staff were reminded of these requirements through Key Messages, which was the weekly communication update provided to all staff, and it was noted that it would be important to ensure messaging at the appropriate times, being around Christmas and towards the end of the year as well as highlighting the need to record hospitality, as well as gifts received.</p>	<p>JS</p>
	<p>Internal Audit Reports and Action Grid</p>	

7.1	<p><u>Internal Audit Reports</u> JB presented the Internal Auditors reports on:</p> <ul style="list-style-type: none"> Recruitment and Retention of Staff which had an assessment of reasonable assurance and identified 2 important recommendations; the first related to the Annual HR Report including an update against the HR Strategy, and the second was to break down the procedures to clearly define the roles of members of staff. Both recommendations were accepted. Assurance Review of 16-19 Funding Requirements which had an assessment of substantial assurance with no recommendations. JB reported that the monthly funding meetings and the attendance by key staff demonstrated good practice and that this audit should provide good assurance to the Committee on the area of 16-19 income which was an important area for the College. <p>A Governor sought clarification from the Internal Auditor based on their broader sector experience on whether there was anything further which the College could do to not have these important action points in the future. JB reported that other than the two recommendations the College had all the controls and measures in place and one of the recommendations had been completed already and the second would be completed by the Board meeting in October.</p> <p>A Governor requested that the Committee's thanks be recorded and relayed to the College's staff who were involved in the 16-19 Funding Requirements audit for their hardwork.</p>	
7.2	<p><u>Internal Audit Follow up Report</u> JB presented the Follow Up Report and highlighted that only one recommendation was outstanding, with all other recommendations being implemented.</p> <p>A Governor sought clarification on the outstanding recommendation relating to the limited assurance Procurement audit and how the preferred supplier list could be progressed given the difficulty recruiting a procurement manager. JS reported that a review of existing processes could be drawn together, including a pareto list of the suppliers to provide assurance to the Committee and that the budget still included a procurement manager resource.</p> <p>A Governor invited the Internal Auditor to provide any further suggestions for the College to consider in terms of follow ups given their broader sector experience. JB reported that, from her experience, the College did take the recommendations seriously and acted on the internal audit recommendations, which was positive to see, and there was only one outstanding.</p>	JS
7.3	<p><u>Internal Audit Annual Report</u> JB reported that she had identified some errors in the final report which would be corrected and an updated version provided to the College. The errors were to (i) the number of reviews carried out (the correct figure was 6, not 5) and (ii) under Audit Summary where it erroneously stated that there was one area reviewed where "limited" or "no assurance" was found, which was not the case.</p> <p>JB reported that this summarised the work carried out by the internal auditors during 2022/23 and the Head of Internal Audit's Annual Opinion was that: TIAA is satisfied that, for the areas reviewed during the year, South Staffordshire college has reasonable and effective risk management, control and governance processes in place.</p> <p>The prior year's plan was for 27 days and there was one change to the plan to replace the Apprenticeship review with a 16-19 Funding Review, and no extra work was carried out. It was reported that 6 reviews were undertaken, four of which provided reasonable assurance and two of which provided substantial assurance, with six important recommendations and</p>	JS / TIAA

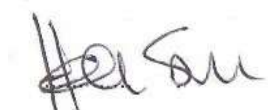
7.4	<p>three routine recommendations. It was clarified that, under Audit Summary, there was an error (which would be corrected) and that there were no areas which had been assessed to provide limited assurance.</p> <p>A Governor sought clarification on whether the Internal Auditors believed that this year's Internal Audit plan had covered all the required areas to the standards the Audit Committee would expect given the sector's experience over the last 12 months including the cost of living, inflation and health & safety. JB reported that she could provide that assurance and that the plan had been designed to focus on those areas when looking at Treasury Management (which would have looked at loan covenants) and in terms of determining the areas to look at in this year's plan, such as recruitment and retention given the issues in retaining and recruiting staff.</p> <p>The Committee thanked JB and the TIAA team for the professional service provided to the Committee and the College and asked that these thanks be passed on to Clare Parkes and the TIAA team.</p> <p><i>JB left the meeting 9.06am</i></p> <p><u>Internal Audit Recommendation Tracking Grid</u> JS presented his report confirming that the College started this year with 8 active recommendations, of these 4 had been subsequently completed, leaving four incomplete recommendations of which 3 were not yet due. There is only one outstanding recommendation (regarding preferred supplier / contractor list) which had been discussed earlier on the agenda and where a review of existing processes would be reported to the Committee at its November 2023 meeting.</p> <p>The Committee thanked JS for the good progress and performance.</p>	
8.1	<p>Risk Management <u>Corporate Risk Register</u> JS presented the updated corporate risk register as at September 2023 which had been reviewed in advance by ELT. JS and CB explained the risk current position highlighted on the risk register:</p> <ul style="list-style-type: none"> • C1 in terms risk of student numbers, there had been a good enrolment and this was expected to be a reducing risk • C2 in terms of apprenticeships, following the pause in recruitment on some courses in early 2023, new processes were in place to validate each apprenticeship course and monitoring of this area was weekly. It was expected that by Easter 2024 all courses which were planned to be delivered would be switched on with a streamlining of courses to focus on those courses with a clear market and to ensure the quality of provision. • C3 in terms of Higher Level provision this was expected to improve with enhanced links with Harper Adams university. • C4 in terms of staffing this remained a high risk and whilst additional funding was being provided to FE it was unlikely to reduce this risk significantly • C5 in terms of achievement rates this was expected to be a sector wide issue and a challenge for the College to maintain and exceed its recent achievement rates, however, this had led to strong enrolment this year as some students had not made grades for alternative provision. • C6 linked to risk, the achievement data expected to be used by OFSTED would be the current academic year's results and therefore preparation to ensure as strong delivery as possible was important. • C7 Safeguarding was an area of strength for the College with strong leadership • C8 Property Strategy was a high and an increasing risk given the lack of funding available for this and the need to undertake works at Rodbaston and Lichfield • C9 in terms of financial results was a reducing risk given the additional funding expected which would remove the budget deficit and support a pay increase. 	

	<ul style="list-style-type: none"> • C10 similar to C9 was a reducing risk • C11 in terms of failing to meet legislation, this risk remained unchanged • [Redacted due to confidentiality] • [Redacted due to confidentiality] • C15 the pension scheme liability was a reducing risk • C16 UK economic outlook risk was reducing • [Redacted due to confidentiality] • C19 and C20, in terms of crisis management and COVID 19, no issues specifically identified • C21, in terms of Governor recruitment was a reducing risk, although would continue to be a risk. • C22 in terms of the College fulfilling its contribution towards local skills needs remained an ongoing risk • C23, remained a high risk as Qualifications Reform by the Government continued and some alternative qualifications were not expected to be available next year. • C24, in terms of sourcing work experience was also a risk and was expected to increase with the introduction of T Levels <p>A Governor sought clarification on the final two risks given the scoring appeared incomplete. JS reported that he would circulate an updated register for completeness, however the scoring of those risks was unchanged. The revised Register would also include a reordering of the risks so that each Risk was ordered under the relevant Priority (rather than numerically).</p> <p>A Governor sought to understand the regularity with which the Register was reviewed and updated and used as a live document. JS reported that the Register was considered and discussed by ELT before presentation to this Committee and that there was a Risk Management Committee which reviewed risks termly and members of ELT and SLT used the register to support their work.</p> <p>A Governor questioned whether ELT had considered adding RAAC to the Risk Register. JS reported that the RAAC Report considered at item 6.2 had been considered by ELT.</p> <p>A Governor noted several actions were reported as ongoing and sought more detail in terms of further breakdown in the actions (by date) to provide further assurance to the Committee that steps and actions to mitigate risk were being progressed throughout the year. JS agreed that the Register would be updated to reflect that.</p> <p><u>Covenant Compliance</u> JS presented the covenant risks and confirmed that Risks of covenant breach in the 2022-23 financial year were low however the future years would be challenging due to the timing of the Tamworth Relocation Project.</p> <p>In 2023-24, Yorkshire Bank covenants would not be tested as the debt facility would close before year end.</p> <p>Barclays Bank had received and were reviewing the College's July Three Year Financial Forecast and the College was waiting for Barclays' to confirm in writing how they intended to deal with the covenant position for this year and next and JS reported that he did not expect that this would be an issue however it was not yet clear how Barclays intended to deal with the position that would give both parties comfort, including comfort for the College in signing off its accounts on a going concern basis in December 2023. It was reported that there was a meeting with the banks the following week and an update would be provided to members following that meeting.</p> <p>A Governor asked what were the actions and timescales to address Barclay's Debt Service Cover red covenant indicator which could provide assurance to the Committee. JS reported that the action was to finalise with Barclays what their position was and to provide the written</p>	<p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p>
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	<p>confirmation requested. In the event that Barclays refused to provide this confirmation, the College could look to the DfE to convert the loan. JS agreed that he would seek clarification from Barclays as to what their timescales were to provide the requested written confirmation which he would then circulate to the Committee.</p> <p>JS reported to the Board that the DfE loan (which had been approved by the DfE in principle but for which terms had not yet been finalised) would be expected to have covenants attached to it.</p> <p>A Governor asked when the terms with the DfE were expected to be agreed and if these could impact on the Barclay's covenants. JS reported that the DfE had not provided timescales, and was working through applicants on a case by case basis dependent upon when draw down was expected, which for the College was summer 2024. JS reported that ultimately Barclays had to give consent to this DfE loan and there would be a negotiation with Barclays as to any impacts. JS reported that the Board would be provided with the terms of the DfE loan when they came through.</p> <p><i>Capital Project Risk – Tamworth Relocation Project 'TRP' – [Confidential item redacted from published minutes]</i></p>	JS
9	Governance	
9.1	<p><u>Subcontracting Report 2022/23</u></p> <p>JS reported that the College had not undertaken any sub-contracting and did not currently plan to do so. However the College did undertake some partnership work and details were set out in the report.</p> <p>JS reported that partnership work with Benn Carson Recruitment to the value of £111,615 was undertaken during 2022/23 and with the Code Institute to the value of £52,538.</p> <p>Looking forwards the College expected to continue to work with the Code Institute and had entered into a contract to work with Tamworth Boxing Academy. In addition the College was in discussion with FMBS to deliver warehousing and storage work, although was waiting further details on this from FMBS, as well as online accountancy work.</p> <p>A Governor sought assurance that the College was clear on the difference between sub-contracting and partnership work. JS reported that this difference was clearly understood by the College and that further assurance could be taken from the fact that the Benn Carson partnership work had been ongoing during the period when the ESFA funding audit was undertaken.</p> <p>In response to a query from a Governor, JS reported that this report and the requirements for the Audit Committee to consider any sub-contracting was focussed on sub-contracting in terms of funding and educational provision and separate from sub-contracting in terms of construction or other works.</p>	
9.2	<p><u>2022/23 Regularity Audit Self Assessment Questionnaire</u></p> <p>JS reported that this year there were some additional questions regarding Managing Public Money (due to the reclassification to the public sector). JS reported that many written procedures would be updated as part of the review of the Financial Regulations which would be considered by the Financial Improvement Group and then the Board in October.</p> <p>Resolved that the Committee recommend the Questionnaire to the Board for approval</p>	
9.3	<p><u>Whistleblowing Policy</u></p> <p>JS reported that an update of the Policy had been undertaken and the key changes made, in terms of ensuring that all College workers, including College employed apprentices, were captured, to include the "Protect" helpline and to include clarity on when anonymity could be compromised.</p>	

9.4	<p>Resolved that the Committee recommend the Whistleblowing Policy to the Board for approval</p> <p><u>Committee Evaluation responses</u></p> <p>The Committee considered Section 8 of the Evaluation and agreed that the Grading of Good was appropriate noting that it would be helpful to have some benchmarks as to what outstanding would look like. The Committee considered that as part of next year's process the views of the Internal Auditors could be sought as to the effectiveness of the Committee. The Committee also requested that the views of the Chair of the Board be sought on this year's performance.</p>	JH
10	<p>Any other Business</p> <p>There was no other business.</p>	
11	<p>Meeting between the members of the Committee and Management</p> <p><i>[Redacted due to confidentiality]</i></p>	
12	<p>Meeting with the new Internal Audit Service</p> <p><i>[Redacted due to confidentiality]</i></p>	
	<p>The meeting closed at 10:30am</p> <p>The next meeting is at 8:30am Wednesday 29 November 2023 via Microsoft Teams</p>	

Approved as a true record by the Audit Committee at their meeting on 29 November 2023



Chair of the Committee