



**SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE**  
**FURTHER EDUCATION CORPORATION**

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Monday 13 November 2023  
In Room CG21, Filton Campus, Filton Avenue, Filton, Bristol

<b>Present:</b>	Mike Croker	Corporation Member & Chair
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Yusuf Ibrahim	Corporation Member
	Dave Merrett	Corporation Member
	Irene Molodtsov	Corporation Member
<b>In attendance:</b>	Rich Aitken	Head of Finance
	Nathan Coughlin	Bishop Fleming – Financial Statements Auditors
	Kevin Hamblin	CEO & Executive Principal (joined via TEAMS)
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	RSM – Internal Audit Service
	Sharon Glover	Clerk

1. **Apologies for Absence**

There were no apologies received.

The Chair raised that he would be inviting the CEO & Executive Principal and Head of Finance to leave the meeting for discussion of the Confidential Item.

2. **Declarations of Interest**

As Directors of SGSCSL, the interests of Kevin Hamblin, Dave Merrett and Jude Saunderson in agenda item 8d were noted.

3. **Auditor Concerns**

When invited, RSM and Bishop Fleming had no issues to raise.

4. **Other Items of Urgent Business**

There were no items of urgent business.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 19 September 2023 were approved as a correct record and signed by the Chair.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the Freedom of Information Policy, Data Privacy & Protection Policy and Privacy Notice was noted
- b) Audit Committee action log – updates were provided on actions on the log. The Chief Financial Officer reported that the College had still not received the final ESFA audit report. However, ESFA have requested that the College completes a controls document as some action points in the report have been superseded or processes have changed. When asked, confirmation was received that there has been adequate provision in the financial statements should there be any claw back.

In relation to the action on the CEO & Executive Principal relating to additional support within the apprenticeships department, although raised with the Principal, he agreed to follow up and report back at the next meeting. However, the Chief Financial Officer reported that a new Head of Quality in apprenticeships had been appointed.

The Chief Financial Officer reported that having spoke with the Chief Group Services Officer the settlement agreement was low level and did not require Corporation involvement.

The Vice-Chair of the Audit Committee raised that in the confidential part of the last meeting, RSM were to provide access to their investigation report. The link sent didn't work and there was time limited access to the report.

7. **Risk Management Report**

The Chief Financial Officer advised that the position was similar to the last report. There has been a reduction in risk 19 due to actions taken to trial the employment of a security guard at the Filton campus and provide training to Duty Managers. Positive feedback has been received and an improvement in student behaviour evidenced. Two youth workers have also been employed to engage with learners. Members questioned whether SGS has seen an impact relating to pro-Palestine activity. Although there have been some instances at Filton campus, due to its large cohort, but had been dealt with instantly. Members were informed that behaviours nationally are more challenging.

Although the pay award risk remained significant it had reduced due to the introduction of the new pay scales and pay award, so this was positive. The Chair asked whether the level of tolerance was considered acceptable and the Chief Financial Officer advised that the aspiration is to incorporate Corporate pay scheme and to try and keep up with national pay. Members noted that actions had been completed in relation to the adult ALS risk, which had decreased albeit remaining above target. Members asked the Chief Financial Officer to review the numbers on the tracker as they didn't tally.

In relation to the SGSCSL risks, the Chief Financial Officer reported that there had been little movement and the high risks relate to not exploiting new opportunities for site disposal. It was noted that the risks relating to the John Huggett Engineering Hall were to be on the College and not SGSCSL risk register.

Members questioned whether the risk register had picked up the challenges in apprenticeship provision and staff issues. Confirmation was received that new risks had been added, however, did not show on the tracker as not above tolerance levels. Members questioned how timetabling can be supported and were informed that more space is needed to accommodate growth.

The Chair asked that any new risks added to the register are added to the narrative in the covering report. Reference was made to the action log and whether any risks had materialised that had not been captured on the risk registers. It was agreed to carry forward this action.

**The report was noted.**

**Action: Chief Financial Officer.**

## 8. **Internal Audit**

- a) Internal Audit Service's 2022/23 Annual report – RSM advised that there had been no changes since the presentation of the draft report at the last meeting. Members asked how the College compared to its competitors and were informed that the annual benchmarking report would be presented at the next meeting.

**It was resolved:**

**To recommend the Internal Audit Service's 2022/23 Annual report to Corporation for approval.**

- b) Progress report – RSM presented a progress summary together with client briefings. Members were informed that the RSM briefing on ESFA subcontracting lessons learned had been reviewed to ensure that the College is in line with the findings. Assurance was provided that there was compliance by the College. Confirmation was also received that the DiSE provision does not form part of the ESFA's subcontracting requirements.

The Chair referenced the curriculum plan audit scheduled for January 2024 and reported that the College has commissioned the FE Commissioner's Team to undertake a curriculum review and to ensure that there is no overlap with the RSM audit. The Chief Financial Officer advised that this review had commenced and the FE Commissioner's Team had been very complimentary about the work the College undertakes and were keen to lend their support. The College was congratulated on this feedback and asked that any outcomes are shared with RSM to avoid duplication.

**The report was noted.**

## 9. Financial Statements Audit

- a) Financial Statements Auditors' Management Letter – Bishop Fleming presented their Management Letter and reported that the audit had gone well with good support and significant effort by College management. There are currently no unadjusted items and a clean opinion will be provided. Attention was drawn to the Audit risks section and the value of investments. In light of discussions about the disposal of Berkeley campus the valuation of this campus will remain under review up until the date of signing of the accounts as there may be a need to amend the accounts prior to signing. The timeline and any deal will also have an impact on going concern. The Chief Financial Officer reported that expressions of interest in relation to Berkeley campus are being presented at the 30 November Corporation meeting.

The Chair advised that the pension liabilities as reported under FRS17 have reduced considerably since 2020. Whilst pension adjustments are discounted for purposes of calculating financial health, FRS17 makes comparisons between years difficult. Bishop Fleming confirmed that assumptions used are consistent with expectations.

Bishop Fleming advised that most subsidiary companies require financial support from Colleges and a Letter of Support will be required to provide assurance over going concern. The Department for Education has provided a steer of expectations and there will be a need for the College to agree their Letter of Support wording with the DfE.

Members were informed that the loan facility was agreed after the year end and in relation to managing public money there is nothing that needs to be drawn to the Committee's attention. Members were informed that the control points are low risk and relate to best practices.

Members questioned whether it was possible to filter out routine journals and Bishop Fleming agreed to see if certain journals can be excluded from next year's Management Letter.

### **It was resolved:**

**To recommend Corporation approval of Bishop Fleming's Management Letter, noting that it may be subject to change following completion of the audit.**

- b) Draft SGS Annual Report and consolidated Financial Statements 2022/23 - The Chief Financial Officer drew attention to the table on page 6 which provided a helpful summary of the underlying position. Members were informed that note 11 is outstanding as information was not available about the Letter of Support and will be updated. The accuracy of the pensions cost in note 27 was questioned and confirmation was received that this should be fine but would be double checked.

The Chair drew attention to the Senior Post Holder remuneration and sought, and received, assurance from the CEO & Executive Principal, as Accounting Officer, that he was content with the disclosures. The Clerk raised that the Remuneration Committee produce an Annual Report to the Corporation which includes remuneration data for the Accounting Officer. It was agreed that this report is to be presented to the Audit Committee alongside the Annual Report and Financial Statements as a further means of assurance. The Head of Finance provided assurance that the HR calculations in the end of year accounts are aligned with the Remuneration Committee report.

**It was resolved:**

**To recommend Corporation approval of the Report and consolidated Financial Statements 2022/23, noting that they may be subject to changes following completion of the audit.**

- c) Going Concern review was noted. The Head of Finance reported an increase in rate of the Teachers' Pension Scheme from April and there is a guarantee of funding for 12 months. Overall cash is looking healthier and gearing is lower. Consideration of going concern will continue up until the date of signing the accounts.
- d) SGSCSL Annual Report and Financial Statements 2022/23, Management Letter and Letter of Representation were noted. The Chief Financial Officer reported that an abbreviated set of accounts had been prepared this year. It was reported that the valuation of C11 is going through and with an increased deferred tax charge this has left a small surplus. The loan is recognised as a current liability.
- e) Reconciliation of the Financial Statements to the July Management Accounts was noted. The Head of Finance presented adjustments to the accounts, including WECA and ESFA adult income clawbacks. The College can apply for payment protection but must provide for worse case scenario in the accounts. Confirmation was received that good financial health is retained.
- f) Teachers' Pension Audit Letter was noted. Bishop Fleming reported that late information had been received from the College to get this information through for the audit. The Chief Financial Officer suggested that next year this is considered at the interim audit stage.
- g) Letter of Representation – Bishop Fleming reported that this was their standard Letter of Representation apart from reference to the SGSCSL investment properties that may require amendment subject to investment values as part of the disposal of Berkeley campus. When asked, confirmation was received that there are no specific disclosures needed as everything is captured in their standard Letter of Representation.

Confirmation was received that Nathan Coughlin would be joining the 30 November 2023 Corporation meeting.

**It was resolved:**

**To recommend the Letter of Representation to Corporation for approval, with authority delegated to the Chair of the Corporation to sign on behalf of the Corporation, noting that it may be subject to change following completion of the audit.**

10. **Audit Committee Annual Report to the Corporation and the CEO & Executive Principal**

Following review of the annual report, the Committee agreed with the conclusion and were content to recommend its approval to Corporation.

**It was resolved:**

**To recommend Corporation approval of the Audit Committee Annual Report to the Corporation and the CEO & Executive Principal.**

11. **College returns and Assurance processes**

Members received a report outlining the key returns required during the year and the assurance processes in place. The Chief Financial Officer apologised as she noticed some duplicate entries that needed to be removed. Members noted that there had been no negative feedback from ESFA/OfS and this had been positive. When asked, members concurred that this report provided assurance and evidence of complying with the AoC's Code of Good Governance and should be continued. Members raised that the format of the report was difficult to read on Convene and the Chief Financial Officer agreed to consider the format for next time. Members questioned the dates in the submission deadline versus the date SGS submitted columns as didn't appear to be accurate. The Chief Financial Officer agreed to review.

**The report was noted.**

**Action: Chief Financial Officer.**

12. **2022/23 Bad debt write off**

The Head of Finance reported that, for 2022/23, the bad debt written off totalled £48k. Appended to the report was a list of debts written off on a case by case basis. Members were informed that the College continues to use a third-party debt collection agency. Where appropriate, legal action is being taken against some larger debts. Members questioned whether this level of debt was higher than last year. Confirmation was received that it was, due to change in processes and more active debt management. The College has now removed material fees for 16-18 learners and they are asked to provide their own material.

Following scrutiny of the report, members requested, and received, further information on Access to Work debt. The Head of Finance was asked to follow up this debt and report back. When asked, the Head of Finance confirmed that a provision of £50k had been budgeted for the current year. The Chair asked that the context of levels of debt and the bad debt is included in next year's report.

**The report was noted.**

**Action: Head of Finance.**

13. **Audit Action Plan**

Members monitored the audit action plan and noted that good progress is being made.

**The report was noted.**

14. **Audit Committee Training & Development needs analysis**

Members discussed the training opportunities already available and the Clerk asked that any further training needs are raised with her. RSM suggested reviewing the Audit Committee terms of reference to see if any skills gaps on various topics. Following discussion, it was suggested that the next nugget training focused on anti-bribery, anti-fraud etc and the Chief Financial Officer suggested that members of the Senior Leadership Team would also benefit from this training.

15. **Any Other Business (Agenda item 16)**

There was no other business raised.

16. **Key messages for Corporation (Agenda item 17)**

The Chair suggested that the approvals and recommendations are for presentation to Corporation.

17. **Date of Next Meeting (Agenda item 18)**

Thursday 28 March 2024, 3pm, via Teams

On behalf of the Committee the Chair congratulated the Chief Financial Officer, Head of Finance and the Finance Team for facilitating a smooth external audit. Members noted the high quality of information provided to Governors. Thanks were extended to Bishop Fleming.

The Head of Finance also wanted to recognise the valuable contribution to the audit made by Planning and Reporting Manager.

*At this point the CEO & Executive Principal and Head of Finance were invited to leave the meeting.*

18. **Confidential Item (Agenda Item 15)**

Confidential.

The meeting commenced at 3.00pm  
Yusuf Ibrahim joined the meeting at 3.14pm (during item 7)  
Kevin Hamblin and Rich Aitken left the meeting at 4.42pm (after item 17)  
The meeting closed at 5.00pm  
The meeting was quorate.