



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Tuesday 5 April 2022
Conducted via Microsoft Teams

Present:	Mike Croker	Corporation Member & Chair
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Dave Merrett	Corporation Member
	Ben Short	Corporation Member

In attendance:	Rich Aitken	Head of Finance
	Kevin Hamblin	CEO & Executive Principal
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	(RSM)
	Sharon Glover	Clerk

1. **Apologies for Absence**

Apologies were received from Tony Felthouse.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

The Clerk reported that RSM and KPMG had been invited to raise any concerns ahead of the meeting and had nothing to raise.

4. **Other Items of Urgent Business**

There were no other items of urgent business.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 15 November 2021 were approved as a correct record, ready for signing by the Chair of the meeting.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
- (i) 2020/21 Annual Report of the Audit Committee, including the annual risk management report;
 - (ii) Letter of Support to SGSCSL, for signing by the Chair of the Corporation;
 - (iii) 2020/21 Internal Audit Service Annual Report;
 - (iv) Financial Statement Auditor's Management Letter;
 - (v) SGS College Members' Report and consolidated Financial Statements 2020/21 for signing by the Chair of the Corporation and Group CEO & Executive Principal/Accounting Officer, subject to changes raised, and revisions to the Remuneration Annual Report;
 - (vi) Letter of representation to KPMG, for signing by the Chair of the Corporation;
 - (vii) Fraud Response Plan;
 - (viii) Re-tendering of Financial Statements Auditors and tax services for the 2021/22 financial statements audit.
- b) Audit Committee action log – Actions on the action log were monitored and the following updates provided:
- 21/9/21, minute 13 – Close for now and revisit at Audit Committee Self-Assessment.
 - 15/11/21, minute 6b – RSM follow up audit on the OfS audit was agreed with the Chair of the Audit Committee and RSM report is being presented at this meeting.
 - 15/11/21, minute 11 – College Data Returns log was updated to rectify errors – email sent to Audit Committee to confirm.
 - 15/11/21, minute 12 – possible fraudulent student signature. The Head of Finance explained that the case had been reviewed as far as possible as the fee had not been paid via the usual debt process. The amount in question was £83 and the complaint was not followed up as the staff member had left in 2019. There had been no other claims from the company concerned and no further business. Therefore, no further action was needed. Members questioned if any lessons had been learnt. Members were informed that the process is now system based so should avoid future issues and no other concerns have been raised. Confirmation was received that the apprenticeship process is audited regularly and processes have subsequently changed. Fraud training is provided to the Finance Team and there is more awareness to escalate anything suspicious to the Head of Finance.
 - 15/11/21, minute 12 – student debt analysis – potentially too complex to include in management accounts reporting. However, a

link is being implemented between finance and the student information systems in order to produce aged debt data. The Head of Finance is taking this forward.

The Chair informed that he would be bringing forward agenda item 8 as College staff would soon be joining the meeting.

7. **Internal Audit (Agenda Item 8)**

RSM presented the following reports:

- a) Benchmarking Report 2020/21 – This report provided comparisons over the past 3 years against sector averages. The report provided a direction of travel and no concerns were raised by RSM. Going forward, RSM will separate out data for General FE Colleges as currently combined with 6th Form Colleges. The graphs were also not to scale and this will be addressed for future reports.

The report was noted.

- b) Human Resources and Payroll Controls - The audit received a substantial assurance opinion with no actions raised, which is very rare. Members noted the inclusion of data analytics, which hadn't been included in previous reports. RSM advised that they are looking to introduce and undertake data analytics where systems have transaction elements.

Members sought clarity why one leaver, who left on the same day, did not require a leaver form. It was confirmed that their resignation email was accepted in place of the leaver form in order to avoid duplication of work. Members also sought, and received, clarity on the Kickstart Scheme.

The report was noted.

- c) HE Data - Office for Students follow up - RSM completed a follow up review on management's implementation of the recommendations that were in the original Office for Students audit report. Good progress has been made with 11 actions addressed and 1 action in progress. The Committee was invited to consider whether there is a future internal audit on this area if an OfS audit is not due in the near future. When asked, the Chief Financial Officer confirmed that OfS may choose to return to the College to monitor the progress on actions.

At this point Kelly Gillett, Director of People & Organisational Culture, Pete Barrett, Group Property Manager and Pat Mcleod, Assistant Principal-Apprenticeships joined the meeting

Members invited the Director's view on the report and she advised that the team had done well and were thanked. There was no further news

whether OfS intend to re-visit and there is ongoing dialogue with the OfS to meet ongoing requirements. Members were informed that Higher Education now falls under the remit of Gavin Murray, Vice Principal Performance, Standards and Effectiveness. Thanks, were extended to the Director of People & Organisational Culture for all her work.

The report was noted.

At this point the Director of People and Organisational Culture left the meeting.

- d) Commercial Activities Arrangements - RSM explained the background of this audit, which had resulted in a Reasonable assurance opinion (Amber/Green), with two medium priority actions raised. The report was a positive outcome and no concerns were raised. The Group Property Manager confirmed that new controls have been put in place in relation to the Lease Summaries document.

The report was noted.

At this point the Group Property Manager left the meeting.

- e) Learner Number Systems – RSM had followed up on previous years' actions and completed new testing. The audit resulted in a strong outcome with two medium priorities raised, with processes in place to address these actions. Members raised that the audit had no assurance rating and RSM clarified the reason for this in relation to the approach taken as detailed in the report. The Assistant Principal confirmed that this was a positive outcome. Members questioned why 14-16 provision doesn't have funding agreements. The Vice Principal agreed to follow up with the Assistant Principal 16-18. The Chief Financial Officer advised that 14-16 provision is not core and are infills from secondary schools. The Assistant Principal 16-18 is reviewing processes relating to this cohort. RSM also confirmed that the funding rules are not as specific for this cohort and pre-16s complete standard learning agreements. When asked, confirmation was received that the outcome of the review will form part of RSM's follow up audit.

Members questioned the DISE audit arrangements and were informed that KPMG will be undertaking the audit with the report being presented at the next Audit Committee meeting.

Congratulations were provided to College staff.

The report was noted.

At this point the Assistant Principal – Apprenticeships left the meeting.

- f) Progress report 2021/22, including updates against the Internal Audit Protocol – RSM provided a progress update and confirmed they are on track with the Internal Audit plan. Members questioned whether there were any major findings in the cyber risk audit. RSM confirmed the outcome of the audit was an Amber/Green opinion and provided an update on the findings. One of the key risk issues was the need to make cyber security training mandatory. Members recognised the importance of this training and its impact on work and personal life. It was also suggested that this training would be of value for students.

A full test of disaster recovery had not been actioned however it was recognised that it was time consuming and had practical ramifications. The Information Security Governor Advocate (Ben Short) recognised that controls versus cyber threats won't remain aligned. The discussion progressed onto asset registers and although an IT asset register was in existence it had not been complete, but this had been identified by the IT Department. Assurance was provided that at year end the main fixed asset register is checked. The IS Advocate suggested consideration of automated tools to assist with reconciliation of the asset registers and offered to visit the Head of IT to discuss further. It was suggested that consideration is given to risk appetite and the available funding for investment.

The report was noted.

8. Risk Management Report (Agenda Item 7)

The Chief Financial Officer introduced the report, including the quarterly risk trackers for SGS and SGS Commercial Services, providing updates on existing risks above tolerance. The biggest risk is significant growth in applicants at Filton campus and further communication is taking place with the local authority for delivery of construction apprenticeships at Horizon 38.

In relation to SGSCSL risks, electricity costs are higher than forecast and tenants have been made aware of these increases. Members questioned whether there are any risks relating to climate change. Following discussion, it was agreed that the Sustainability and Biodiversity Committee and Chief Financial Officer should be invited to consider further.

Members asked whether there are any concerns relating to the war in Ukraine and supply chain impacts. Although currently no concerns, as the College doesn't contract with suppliers outside of the UK, inevitably future consequences are to be expected, akin to the Brexit situation.

Members were reminded that any risks below tolerance are not reported to the Audit Committee but assurance was provided that the Executive Team review the whole risk register on a monthly basis and it is also presented at Senior Leadership Team meetings.

Following a lengthy discussion at Corporation about the financial framework, upon which the College budget is to be developed, the Chief Financial Officer was asked whether any risks had arisen above tolerance levels. Members were informed that the cash risk had been rescored but had not increased above the tolerance level.

When asked, Dave Merrett Chair of SGSCSL, confirmed that there was nothing untoward on the SGSCSL risk register.

Thanks, were extended to the Chief Financial Officer.

The report was noted.

Action: Sustainability & Biodiversity Committee & Chief Financial Officer.

9. **Gifts & Hospitality Register; Whistleblowing Update; Fraud Register and Fraud Risk Assessment action plan**

Confirmation was received that there was nothing to report on the Gifts & Hospitality; Fraud Register and there had been no whistleblowing instances to report. The Head of Finance confirmed that the second annual fraud risk assessments had been carried out with 25 areas assessed. There had been 100% return which was reviewed centrally in the Finance Department. Action plans have been developed and, appended to the report, was an updated action plan together with an example fraud risk assessment.

Members questioned when the last whistleblowing instance had been raised and College staff couldn't recall this. A discussion then followed on the process in place. College management confirmed that the whistleblowing policy is freely available and cross referenced in key College documents. It was felt that the organisation is very open and complaints are investigated in a timely manner. When complaints arise, they are referred to the Chief Group Services Officer and Chief Financial Officer to determine what policy should apply.

Members questioned whether the staff survey asks about awareness of whistleblowing and seeks assurance that there is confidence to raise an incident. Confirmation was received that staff surveys do take place and that there are multiple ways to raise any concerns. The Chair raised that NHS surveys include questions about staff awareness to speak up and feel confident to use channels and that management deal fairly with the issue raised. The CEO & Executive Principal agreed to check with the Principal and Chief Group Services Officer whether the existing questions in the staff survey covered these areas.

Members asked RSM's experience of whistleblowing reporting in other Colleges. RSM advised that other Colleges don't receive many, as a robust complaints process can head off issues. 80% of whistleblowing instances tend to be linked to disciplinary/grievance issues and are usually very specific

instances. Members raised the importance of having a trail of the review process for complaints to ensure that there are no whistleblowing instances. Assurance was provided that complaints are robustly documented.

The report was noted.

Action: CEO & Executive Principal.

10. **Data Breach**

Members received a report on data breaches and GDPR issues. When asked, members were informed that the Information Commissioner's Office has been informed of some cases and assurance was received that there are no ongoing communication issues between the College and ICO.

Members sought clarity of the requirement of 6.10 of the AoC's Code of Good Governance and RSM clarified that this was good practice taken from the Higher Education code and is not a mandatory requirement under the ESFA's Post-16 Audit Code of Practice.

At this point the Vice Principal Performance, Standards and Effectiveness joined the meeting.

When asked, the Vice Principal confirmed that there were no outstanding communications with the ICO. The Vice Principal was also asked his view on the data quality statement requirements of the Audit Committee referenced in the AoC's Code of Good Governance (6.10) in relation to whom this statement needs to be made and on what basis the opinion would be derived. Members were informed of the need to comply with Article 30 GDPR and data quality is checked via the designated controller and in each functional area. All those who request to exercise their rights as data subjects, under Chapter 3 of the Data Protection Act, are given the option to ask that the College review its response and the College communicates the option for those who are dissatisfied to complain to the UK Information Commissioners Office. Assurance was provided that the College has not received any complaints from the ICO.

The report was noted.

At this point the Vice Principal Performance, Standards and Effectiveness was invited to leave the meeting.

11. **Audit Action Plan**

Members received the audit action plan and assurance was provided by the Chief Financial Officer that actions are in progress.

The report was noted.

12. **Revisions to the Audit Committee Terms of Reference**

Following earlier discussions, as part of agenda item 10, in relation to the AoC's Code of Good Governance (6.10) versus the Post-16 Audit Code of Practice the Chair proposed that there was no need to specifically add the requirement to report on data quality to the Committee's terms of reference. It was noted that the Committee need suitable evidence in order to provide the required assurance and questioned whether other Colleges do this. RSM explained that those Colleges delivering Higher Education provision report on this. It was suggested that consideration be given to this point when drafting the Audit Committee's Annual Report and that Clerk liaises with RSM for example wording.

The Clerk reported that the Corporation requested an expansion of the Committee's Terms of Reference so that the GDPR and Freedom of Information Act report and SGS Freedom of Information and SGS Data Privacy and Protection Policies are considered and recommended to the Corporation for approval. Proposed revisions to the Terms of Reference were presented for consideration.

Following the nugget training presentation, the Clerk questioned whether reference to sub-contracting arrangements also need to be included in the Audit Committee's opinion and it was agreed to leave as stands in the Terms of Reference.

The Clerk explained that this year's Post-16 Audit Code of Practice is awaited and that following its review further revisions to the Committee's Terms of Reference may be required.

It was resolved:

To recommend Corporation approval of revisions to the Audit Committee Terms of Reference.

At this point Louise Tweedie from RSM was invited to leave the meeting.

13. **Re-tendering and Appointment of Financial Statements Auditor**

Confidential Item.

14. **Any Other Business**

There was no other business raised.

15. **Key messages for Corporation**

The following key messages for Corporation were proposed:

- Positive review of the risk management reports.
- Positive internal audit reports.

- Approval recommended of revisions to the Audit Committee Terms of Reference.
- Re-tendering and Appointment of Financial Statements Auditors.

16. **Date of Next Meeting**

Thursday 16 June 2022, 3pm, Microsoft Teams.

The meeting commenced at 3.03pm

Ben Short temporarily left the meeting at 3.56pm and re-joined the meeting at 4.04pm (during item 8)

Louise Tweedie left the meeting at 4.40pm (after item 12)

The meeting closed at 4.46pm

The meeting was quorate.