



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Thursday 13 June 2019
At WISE Campus, New Road, Stoke Gifford, Bristol

Present:	Mike Croker	Corporation Member (Chair)
	Phil Eames	Corporation Member
	Joe Lamonby	Corporation Member
	Dave Merrett	Corporation Member
In attendance:	Rich Aitken	Head of Finance
	Moushumi Begum	RSM Senior Auditor
	Moeen Essa	KPMG Audit Manager
	Tony Felthouse	KPMG (Financial Statements Auditors)
	Kevin Hamblin	CEO & Executive Principal
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

1. **Apologies for Absence**

Apologies were received from Sally Flett and Jude Saunderson.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

Auditors concerns were invited by the Chair. RSM reported that the stretch on staff had been more noticeable, especially in the absence of the Chief Financial Officer who acts as a central conduit during the audit process. However, staff continued to be helpful. Members asked if the profile of findings had been at a comparable level. It was reported that there had been more amber than green outcomes but this was due to the complexity of the areas being audited and the impact of a leaner structure rather than due to the absence of the Chief Financial Officer. Members asked if the Framework for Efficiency audit had received challenge. It was confirmed that there was challenge hence more detail contained in the report than usual.

KPMG reported that the benefit of the Chief Financial Officer's broad knowledge had been missed however they did receive everything needed from the Head of Finance, supported by the College Principal.

At this point College Management were invited to join the meeting.

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 21 Mar 19 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the Anti-Money Laundering, Treasury Management, Whistleblowing and Declarations Of Interest policies was noted.
- b) Actions on the Audit Committee action log were monitored. RSM confirmed that management comments will be added to RSM reports from next year. The Head of Finance confirmed the audit certification requirements of WECA and, provided that the Chief Financial Officer had not been involved in any of the financial preparation, then it was acceptable for her to complete the audit certification requirements. Clarification was also provided of the meaning of the “Dated” column in the gifts and hospitality register – it served to clarify when the gift or action was undertaken and when it had been approved.

7. **Risk Management**

Members received the risk registers for SGS College and SGS Commercial Services Limited. Members questioned whether there are risks associated with the current restructuring and were informed that the risk financially is not to restructure. Members discussed this potential risk in detail. Currently, consultation is being undertaken and at the time when the decision needs to be taken about redundancies any necessary risks will be reported at that time.

Members questioned why Solvency was considered to be a new risk and it was explained that this was the aggregation of existing financial risks as previously requested rather than a new individual risk. Members also discussed risk E1, Deterioration of buildings, and it was agreed that the wording in the action to reduce risk column should be revised.

Members raised concern with the length of the risk register, which was considered to be too big to effectively manage and for the Committee to review. The CEO & Executive Principal provided assurance that any key risks or concerns are drawn to the attention of the Corporation. When asked about other Colleges it was reported that there are typically approximately 24 risks and a cause and effects approach is taken. The difficulty in knowing the point at which risks are to be reported to the Audit Committee was raised and there are a variety of ways in which risks can be summarised. The Chair was

conscious of current Senior Management pressures and suggested a review in 6 months' time following the return to work of the Chief Financial Officer.

Following review of the SGS Commercial Services risk register it was commented that risk E2, Failure of onsite sewage pumps and macerator should have some form of contingency rather than the need to close the site and it was suggested that the SGSCSL Board should review the wording of this risk. Members raised the long timescales of risks E1 and F1 and were informed that historically forecasting had been poor and of the need for close ongoing monitoring.

The report was noted.

**Action: SGSCSL Board.
Chief Financial Officer.**

The Chair informed that he would be rearranging the order of the agenda to accommodate the arrival of College staff.

8. **Internal Audit (Agenda Item 9)**

The following were presented:

At this point Kelly Gillett (Assistant Principal HE & Adult) joined the meeting.

- a) Follow up Academic Departmental Review of Higher Education and Professional areas – The Chair welcomed the Assistant Principal to the meeting and advised that she had been invited in order to provide her with an opportunity to respond to RSM's audit report presented at the last meeting. The Chair asked for the Assistant Principal's view on the accuracy of budget reporting. Members were informed that the budget reporting was dependant on how faculties sit on the system and measures will be made clearer this year. It was reported that following the swift departure of the Learning Area Manager prior to the audit the structure of the department has been reviewed and there is a vacancy for a new Learning Area Manager. The HE annual review is in progress and the Professional and Financial Services self-assessment report is partially complete. The focus on action planning was considered important rather than the content of the self-assessment report. The HE self-assessment report has been fully completed and approved by the Corporation prior to submission to OfS. Members questioned the reason for absence from meetings and it was explained that the HE department is cross-College and although there is a lack of Department meetings course meetings do take place. RSM's comments were invited and feedback was provided that the report had received a positive opinion.

At this point Kelly Gillett left the meeting and Pat Mcleod (Assistant Principal Apprenticeships) joined the meeting.

- b) Post 1 May 2017 Apprenticeships – Framework Review – RSM introduced the report and informed the Committee of the significant changes to apprenticeship provision and compliance rules. The number of issues raised were not uncommon across the sector. Off the job training is complicated and evidence is required for audit purposes. ESFA has indicated that where employers deliver off the job training that they should be a sub-contractor of the College and on the register of training providers. Now ESFA has confirmed the pricing requirement in writing there are complexities. There were 2 high, 3 medium and 4 low actions reported. Members questioned why RSM had not provided an assurance opinion and were informed that on this type of report no opinions are provided at the direction of the RSM Head of Education.

When asked, RSM confirmed that the findings were comparable with other Colleges. RSM reported that the move to SMART Assessor will provide a stronger evidence base and that the system is effective. Members questioned whether there is a timeframe for clawback of funding and were informed that if the College is selected in September for a funding audit then the current academic year would be the main area of risk. The Assistant Principal advised that if costs are exceeded then the College has to cover these costs as funding is not received until learners achieve. Members recognised that work is in progress and that the rules are frequently changing. The College has a large cohort of apprenticeships and it was reassuring to hear that the College is facing similar issues to other Colleges. The Assistant Principal advised that in May 2017 there were major changes to the provision resulting in a further 122 rule changes this academic year. Members discussed how many sub-contractors the College will take on and the need to recognise that employers will deliver the vast majority of apprenticeship training. Members sought, and received confirmation, that the Assistant Principal is clear on expectations to address the high priority action.

The report was noted.

At this point the Assistant Principal left the meeting and Helen Edmunds (Head of Human Resources) joined the meeting.

- c) Human Resources Controls – RSM reported a “reasonable” assurance opinion for this audit, which had resulted in 7 medium and 4 low actions and no cause for concern. When asked, the Head of HR confirmed that she was content with the implementation dates and that the first year of the online appraisal process had been well supported.

The report was noted.

At this point the Head of Human Resources left the meeting and Stuart Evans (Assistant Principal 16-18) joined the meeting

- d) Framework for Efficiency – RSM reported a “reasonable” assurance opinion for this audit, which resulted in 4 medium and 3 low actions agreed. Members raised the massive deltas which were hard to comprehend without the detail that sits beneath. Clarity of the remission position was also sought and discussion followed about whether remission is benefiting those individuals. Members confirmed that a utilisation report had been presented to Corporation at a very summarised level so the utilisation across different departments cannot be accessed.

Members were assured that processes are in place to monitor the efficient deployment of staff and there is an expectation that going forward additional management information will be provided. The CEO & Executive Principal advised that utilisation should not be considered as the primary measure as there are other measures that need to be taken into consideration i.e. productivity due to class size. The need to monitor actuals against proposed delivery was also raised. The CEO & Executive Principal advised that part of the planning process is to consider the size of the cohort and hours per course. In September the position changes and then in October there is a more robust planning exercise. There is some flexibility as courses are reviewed half term which causes movement. The Assistant Principal also confirmed that monthly data meetings take place. Members were clear that utilisation is not the only measure of curriculum efficiency, and that there are links with productivity, delivery and efficiency. The Committee expressed interest in seeing a comparison between what is planned and delivered, and would welcome the development of further information. It was suggested that the Assistant Principal is invited back to a future meeting.

The report was noted.

Action: Clerk.

At this point the Assistant Principal left the meeting.

- e) Additional Learning Support and High Needs Arrangements - RSM reported a “reasonable” assurance opinion had been provided with 4 medium and 4 low actions agreed. Members asked if the College is likely to be selected for an audit in this area. Although possible it hadn't previously.

The report was noted.

- f) Progress report, including updates against the Internal Audit Protocol – RSM confirmed that all audits had now been completed.

The report was noted.

g) Internal Audit needs assessment, strategic plan and 2019/20 annual plan, including Internal Audit Protocol – Members were informed that this item is to be carried forward to the next meeting.

9. **Financial Statements Audit Plan 2018/2019 (Agenda Item 8)**

KPMG presented the Financial Statements audit plan and confirmed that there are no major changes planned to their audit approach. Members were informed that changes to the accounts direction relating to pay multiples and higher paid staff will necessitate further work from the College and additional audit work. When asked, it was confirmed that this will incur an additional fee to that previously agreed and the Audit Committee asked that this fee is kept to a minimum. Members sought, and received, assurance from the Head of Finance that he was content with KPMG's timetable and that there is no reliance on the return to work of the Chief Financial Officer.

Members sought clarity about the College having membership of the KPMG sponsored Audit Committee Institute and were informed that this entitles any member of the Audit Committee to sign up for periodic publications. It was agreed that KPMG is to liaise with the Clerk in this respect.

Members asked that the Management Letter this year provided a clear explanation of pension movement.

The audit plan and strategy for the year ending 31 July 2019 was then endorsed by the Committee.

Action: KPMG.

10. **Audit Action Plan**

Members received the audit action plan and noted that although there were many actions on the plan the implemented actions will be removed on the next report and new actions will be added.

The report was noted.

11. **Financial Regulations**

The Head of Finance presented the Financial Regulations following their annual review. Members were informed that additions had been made to reduce the "single point of failure" in the absence of the Chief Financial Officer.

Members asked the Head of Finance to check and confirm that an assurance paragraph has been included where the College acts as the sub-contractor.

It was raised that a list of breaches of Financial Regulations is produced for SGS Academy Trust which then feed into the Financial Regulations review. The Head of Finance informed that a specific report is being developed for

SGSAT but detailed consideration and discussion would need to be given to the parameters and depth of reporting for SGS.

The Head of Finance proposed that the Financial Regulations are fully reviewed on a biennial basis with any legislative changes presented earlier. When asked, the internal auditors did not foresee any issues with this proposal especially as an annual review of the Financial Regulations is no longer formally required.

It was resolved:

To recommend Corporation approval of the Financial Regulations and that the frequency of review takes place biennially, subject to any legislative or significant changes.

Action: Head of Finance.

12. **Actions arising from revised Post-16 Audit Code of Practice, including review of relevant financial policies and procedures**

The Head of Finance presented the report, including revisions to the Anti-Bribery, Anti-Corruption & Anti-Fraud policy and Risk Management & Assurance Policy; which had taken into account revisions to the Post-16 Audit Code of Practice. Members were informed that a counter fraud strategy will be developed, for presentation to the Audit Committee, together with specific tasks planned to include a fraud risk assessment and fraud awareness/training programme.

Members questioned whether the risk criteria in the Risk Management policy is at the right level for SGS as it is creating too many risks to manage. It was agreed to revisit the risk criteria upon the return of the Chief Financial Officer.

Also received were revisions to the Audit Committee Terms of Reference reflective of the updated Post-16 Audit Code of Practice.

The report was note and it was resolved to:

- a) **Recommend Corporation approval of the Anti-Bribery, Anti-Corruption & Anti-Fraud Policy.**
- b) **Recommend Corporation approval of the Risk Management and Assurance Policy.**
- c) **Recommend Corporation approval of revisions to the Audit Committee Terms of Reference.**

Action: Chief Financial Officer.

13. **Nugget Training**

Following discussion it was agreed that the Audit Committee should be guided by RSM on future nugget training topics in liaison with the Chair and Clerk. An update on the administration of Hadlow College was raised.

The CEO & Executive Principal asked if any Colleges had had their debts obliterated and RSM were not aware of any.

14. **Audit Committee Self-Assessment 2018/19**

Members considered the Committee's performance measured against the Audit Committee Terms of Reference and recorded its findings for consideration as part of the Governance Self-Assessment process.

15. **Any Other Business**

The Chair reported that the Corporation had tasked the Audit Committee to review the 10 points raised in the latest FE Commissioner's letter to Chairs and Principals. It was not the intention to address at this meeting but to consider an approach for further consideration at the next Audit Committee meeting.

Members also expressed interest in how other College's in RSM's client base are responding to these letters. RSM advised that some take a paper to their Corporation and others do not take any action as they consider themselves to be "Good" Colleges. Also questioned was the number of Colleges that do have a Finance Committee, their role and responsibilities and what value they add. The Clerk offered to review examples of Terms of References for Finance Committees from the Clerk's network. It was proposed that the Clerk prepares a report for the next meeting and it was suggested that each point is reviewed on a comply or explain basis with options provided where appropriate.

Action: Clerk.

At this point Tony Felthouse (KPMG) and Louise Tweedie (RSM) were invited to leave the meeting.

16. **Appointment of Auditors (Internal Audit Service) (Agenda Item 15)**

Confidential Item.

17. **Date of Next Meeting**

The Clerk informed that the next meeting date of Thursday 26 September 2019, 3pm at WISE campus is subject to change and confirmation of this change will be issued as soon as possible.

The meeting commenced at 3.00pm

Tony Felthouse and Louise Tweedie left the meeting at 5.22pm (after item 15)

The meeting closed at 5.30pm

The meeting was quorate.