



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

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Thursday 14 June 2018  
At Filton Campus, Filton Avenue, Bristol

<b>Present:</b>	Mike Croker	Corporation Member (Chair)
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Joe Lamonby	Corporation Member
<b>In attendance:</b>	Tony Felthouse	KPMG (Financial Statements Auditor)
	Kevin Hamblin	CEO & Executive Principal
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

The Chair opened the meeting by welcoming Sally Flett to her first Audit Committee meeting.

1. **Apologies for Absence**

Apologies were received from Dave Merrett.

2. **Declarations of Interest**

There were no declarations of interest raised. However, Mike Croker reiterated that he was a former employee of RSM but had no continuing interest.

3. **Auditor Concerns**

When asked, there were no concerns raised by KPMG or RSM, who reported that there had been good engagement with management.

*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 raised.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 15 Mar 18 were approved and signed as a correct record.

## 6. Matters Arising From Those Minutes

- a) Corporation approval of the SGS Financial Regulations, subject to confirmation of the title of Director of Finance, were noted.

The Clerk read out an e-mail from RSM in relation to the ESF report presented at the last meeting. Clarification was provided that the contract end date, in their report, in respect of the EDGE programme was not incorrect, just incomplete. Having liaised with the Chief Financial Officer the final report will not be amended hence the need for clarification to be raised at this meeting.

- b) Actions on the Audit Committee action log were monitored and updates provided. The Chief Financial Officer reported that the value of hospitality at Cheltenham Ladies Day had been investigated and confirmed as £344.64. Members raised the importance of securing approval in advance. Confirmation was received that the individual's attendance at the event had been on College business and approval had been sought. However, at that point the value of the hospitality would not have been known. Members discussed whether there should be a limit imposed on the value of hospitality that can be accepted, although the CEO & Executive Principal noted the difficulty of establishing this information in advance. It was agreed that a review of hospitality limits should be included as part of the next annual review of the financial regulations.

## 7. Risk Management

The Chief Financial Officer presented the key risks from the SGS College risk register. Members questioned the responsibility for demolishing buildings at Berkeley and whether it was high risk. It was reported that SGSCSL had responsibility for these buildings and that a record of the buildings had been produced and an asbestos review on the site had been completed.

Members questioned the level of risk tolerance and were informed that any risk less than 15 the controls in place are deemed sufficient and that the focus is on the higher scoring risks. For ease of review, it was requested that the primary risks are reported at the top of the risk register.

Members scrutinised the risk register and assurance was sought, and received, in relation to risk F2 (The College cannot evidence delivery of ALS against allocation) and that more robust records are in place this year. When asked, confirmation was received that this risk will be followed up next year by RSM and is in the audit plan.

It was noted on the SGS Commercial Services risk register that if the actions planned come to fruition then there will be a reduction in the primary risk profile by August.

The Chief Financial Officer asked for feedback on the introduction of the “amendments this month” page in the risk register, whilst accepting that the page is a work in progress. Members felt this to be helpful where detailed narrative had been included.

Members asked that succession planning for the current Chair of the Corporation be added as a risk. In particular, in relation to the inability to replace and the risk of the loss of expertise, knowledge of the College and challenge following his departure.

Members were pleased to note a reduction in the overall risk profile, in particular relating to the curriculum and safeguarding and that good improvements had been made.

**The report was noted.**

**Action: Chief Financial Officer.**

8. **Financial Statements Audit Plan 2017/2018**

KPMG presented the Financial Statements audit plan and confirmed that there are no major changes planned to their audit approach. Members sought clarification in relation to performance materiality verses overall materiality. When asked, confirmation was received from the CEO & Executive Principal and Chief Financial Officer that they were content with the audit plan.

In relation to the revenue recognition risk, the issue of correlation of funding between the College and funding agency was raised, in particular for Advanced Level Apprenticeship in Sporting Excellence provision, and how the College will stand in terms of the year-end audit. It was agreed that further discussion would be needed between KPMG and the Chief Financial Officer during the audit.

In relation to the summary of fees, members questioned what the fee for other non-audit services referred to. Confirmation was received that this related to Corporation tax for SGS Commercial Services. The audit plan and strategy for the 2017/2018 financial statements audit was then endorsed by the Committee.

9. **Internal Audit**

RSM presented the following reports:

- a) Post 1 May 2017 Apprenticeships – Framework Review – The background and context to the audit was presented. The audit received a partial assurance opinion, with 1 high, 7 medium and 2 low recommendations and actions were presented. Members discussed the high priority action and College management raised concern about the practicality of ensuring prices are negotiated and evidenced. RSM agreed to revisit and update this action. Members were informed that the actions in the report are consistent across the RSM client base and that no other

Colleges have received a green assurance, with some others receiving a red assurance opinion. Members were assured by the contextual background provided and that the assurance opinion was systemic of the apprenticeship funding system.

Due to the size and importance of apprenticeship provision members suggested a formal follow up and that the Curriculum Director is invited to the next meeting to provide an update. Members were provided with progress made with previous audit findings and confirmation was received that an audit on this area will be undertaken next year.

**The report was noted.**

**Action: RSM.  
Chief Financial Officer.**

- b) Governance and Risk Management – The audit received a substantial assurance with no recommendations made, which was considered to be very rare. Congratulations were provided to the Chief Financial Officer and Clerk to the Corporation.

**The report was noted.**

*At this point, the Head of Sports Academies was invited to join the meeting.*

- c) Departmental Review: Sports Academies – The audit received a substantial assurance, with 2 medium and 2 low recommendations made. RSM presented the actions. Members discussed the Sports Academy budget and were informed that this did not include delivery of enrichment. The USP of the Sports Academy was to attract learners to the College. The College is nationally recognised as being highly successful and provides the College with great exposure in the media. Members concurred that this had been a pleasing audit result and the Head of Sports Academies was congratulated.

**The report was noted.**

*At this point, the Head of Sports Academies left the meeting and the Curriculum Director was invited to join the meeting.*

- d) Student Experience Framework – This audit received a reasonable assurance opinion, with 5 medium and 2 low recommendations made. RSM presented actions and overall this was considered to be a positive report. Members discussed frustrations experienced with upgrades to the IT systems, which had not yet been completed. Members were informed that work continues with the MIS team and progress has been made with addressing the actions. Members were informed of changes to the probationary period from this coming September to assist with placing learners on the right course.

**The report was noted.**

*At this point, the Curriculum Director left the meeting and the Head of Operational Finance was invited to join the meeting.*

- e) Key Financial Controls - This audit received a reasonable assurance, with 2 medium and 6 low recommendations presented. Also presented was progress made with previous audit findings. Members considered the action relating to the requirement for Purchase Orders to be raised and questioned how this discipline would be enforced. Members were informed that suppliers had been contacted and that invoices would not be paid without Purchase Orders. Members concurred that this had been a good report and the Head of Operational Finance was thanked.

**The report was noted.**

*At this point, the Head of Operational Finance was invited to leave the meeting.*

- f) Group Activities Framework – This audit received a reasonable assurance, with 2 medium recommendations presented. The Clerk confirmed that this report would be presented to the Board of SGSCSL at the meeting scheduled for 19 Jun 18.

**The report was noted.**

- g) Follow Up – Progress on actions was presented, with the vast majority having been addressed.

**The report was noted.**

- h) Progress report, including updates against the Internal Audit Protocol – RSM presented the progress report and confirmation was provided that there are no “red” opinions. Although a clean annual report was expected it was not possible to provide the draft annual report for this meeting as it required a second level of review due to its early issue, prior to year-end. Following discussion, it was agreed that the 2018/19 draft annual report will be scheduled for the September 2019 Audit Committee meeting to avoid a repetition of the same issue next year.

Also referenced was the monitoring of protocol targets and the inclusion of client briefings.

**The report was noted.**

- i) Draft 2017/18 Internal Auditor’s Annual Report – Members noted that this report is to be carried forward to the next meeting.

- j) Internal Audit needs assessment, strategic plan and 2018/19 annual plan, including Internal Audit Protocol – RSM presented the report and the rationale for the preparation of the annual audit plan and strategy. Following review of the annual plan, members sought, and received, confirmation that staff utilisation would be followed up within the Curriculum Planning audit as there had been debate about this measure at Corporation. Also requested were examples of practices from other Colleges.

The Chief Financial Officer raised the planned change in appraisal process and suggested that the scope of this review is discussed further with RSM, and with a view to changing the timing to later in the year. Members also questioned the need for a specific governance and risk management audit as this was not considered to be high need. RSM agreed to keep this need under review, dependent upon the introduction of new guidance by the Minister for Skills and Apprenticeship.

Members raised a typographical error under the Departmental Review.

Members also asked that a steady flow of reports to the Audit Committee is given consideration to avoid too many reports coming to the June committee meeting. When asked, confirmation was received from the CEO & Executive Principal and Chief Financial Officer, that they were content with the audit coverage.

Following discussion it was agreed that the Key Financial Controls audit is moved to November and that the number of audit days is included in the report. Members discussed whether there should be an IT focused audit and it was agreed that a report to Corporation of the post project review of system implementation and current status would instead be beneficial. It was also suggested that consideration of an audit of IT governance, in place of governance, would be of more use.

**It was resolved:**

**To recommend Corporation approval of the Internal Audit needs assessment, strategic plan and 2018/19 annual plan, subject to changes raised.**

**Action: RSM & Chief Financial Officer.**

10. **Audit Action Plan**

Members received the audit action plan and the Chief Financial Officer confirmed that there were no serious issues to raise.

**The report was noted.**

11. **Post-16 Audit Code of Practice, including review of Audit Committee Terms of Reference**

The Clerk presented the revised Post-16 Audit Code of Practice 2017 to 2018 and, following its review, changes to the Audit Committee Terms of Reference were presented. Members discussed revisions proposed in the Terms of Reference to the wording required relating to risks around fraud, and minor changes were agreed. In order to demonstrate compliance it was requested that fraud should be added to the risk register and that part of the internal audit work should be an assessment of fraud risks.

**It was resolved:**

- a) **To note the Post-16 Audit Code of Practice 2017-2018.**
- b) **To recommend Corporation approval of revisions to the Audit Committee Terms of Reference.**

**Action: Chief Financial Officer.**

12. **Nugget Training**

Suggestions for nugget training for 2018/19 were discussed and agreed.

The Chair proposed to change the order of the agenda to allow the auditors to remain in the meeting for agenda items 13 and 14.

13. **Audit Committee Self-Assessment 2017/18 (Agenda item 14)**

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.

The Clerk asked RSM if the self-assessment process in place was reflective of the approach adopted by other Colleges. RSM agreed to investigate further and report back to the Clerk.

**Action: RSM**

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

There was no other business raised.

*At this point Louise Tweedie and Tony Felthouse were invited to leave the meeting.*

15. **Appointment of Auditors (Internal Audit Service) (Agenda item 13)**

Confidential Item.

16. **Date of Next Meeting**

Thursday 27 September 2018, 3pm at WISE campus.

The meeting commenced at 3.00pm

Tony Felthouse and Louise Tweedie left the meeting at 5.14pm (after item 14)

The meeting closed at 5.20pm

The meeting was quorate.