



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Monday 19 November 2018
At WISE Campus, New Road, Stoke Gifford, Bristol

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

1. **Apologies for Absence**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

KPMG reported that the audit had gone smoothly with no concerns to raise.

RSM reported that they had no feedback as no work had been undertaken since May.

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 27 Sep 18 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of RSM's Letter of Engagement was noted.
- b) Actions on the Audit Committee action log were reviewed and confirmation received that the two actions from the last meeting had been completed.

7. **Audit Committee Vice-Chair**

The Chair proposed the appointment of Phil Eames (former Chair of the Audit Committee) as Vice-Chair of the Audit Committee. Phil's appointment was unanimously decided.

It was resolved:

To appoint Phil Eames as Vice-Chair of the Audit Committee.

8. **Audit Action Plan**

The Chief Financial Officer reported that due to current pressures on the Human Resources Department and higher priorities she wanted to flag that the revised date of 31 December 2018 in relation to utilisation data may slip.

The report was noted.

9. **Internal Audit**

- a) Internal Audit Service's 2017/18 Annual report – Confirmation was received that there had been no changes to the report following its presentation at the last meeting.

It was resolved:

To recommend Corporation approval of the Internal Audit annual Report – Year ended 31 July 2018.

- b) Progress Report – RSM drew attention to the schedule of work planned during the year. Members raised the need to ensure a smooth flow of reports to the Audit Committee. Confirmation was received that effort had been made to try and bring more reports forward for this year.

Also presented was RSM's client briefing covering Further Education Emerging Issues. Particular attention was drawn to solvency of Colleges and the focus on Executive pay with the introduction of College's Senior Staff Remuneration Code by the Association of Colleges.

Members questioned whether there are any issues that impinge on audit planning and were informed that budget and financial controls are the main focus that impact on internal audit. Attention was also drawn to Making Tax Digital which requires electronic form submissions to the HMRC. Confirmation was received that the College is currently working with suppliers on this.

The report was noted.

10. **Financial Statements Audit**

- a) SGS Group Services Report and Financial Statements 2017/18 – Members received, and noted, the SGS Group Services Report and Financial Statements 2017/18. Members were advised that this company is dormant and there had been no transactions during the year. One minor spelling error was raised.
- b) SGSCSL Report and Financial Statements 2017/18, Letter of Representation and Letter of Support to SGS – Members received, and noted, the SGS Commercial Services Limited Report and Financial Statements 2017/18, Letter of Representation and Letter of Support to SGS. Members were informed that, as with last year, there will be a need again this year to approach SGS Corporation for a letter of support for the next 12 months.

The Chief Financial Officer reported a financial loss of £26k with a net surplus of £199k after the revaluation of investment properties, which has no impact on the College's financial health. There is a deferred tax liability of £34k which has not been posted on the basis that there is a deferred tax asset to realise next year and this has been reflected in the Letter of Representation. Members raised a minor duplication in the narrative relating to adopting the "Going Concern" basis and the Chief Financial Officer agreed to make a note of this amendment for next year.

July Management Accounts – The Chief Financial Officer presented the management accounts and attention was drawn to the trading surplus after exceptional items. It was reported that FRS 102 adjustments are made at year end, principally the local government pension scheme adjustment based on actuarial valuation. The trading surplus is slightly lower than forecast with ESF outturn being lower and pushed into the current year. The timing of redundancies also had an impact at year end due to extended consultations. The pay costs are higher with some falling into the current year. Members discussed whether the holiday pay accrual should sit above the line however following discussion it was agreed to retain as stands. Members raised that the reporting reflects well on the Finance Team as close to forecast with no surprises.

The Chair made reference to the training provided by KPMG last year, the slides having been circulated prior to the meeting, in particular the key responsibilities of the Corporation and what Governors should be focusing

on and asked that the Committee have these slides in the back of their minds.

The 31 July 2018 Management Accounts were noted.

- c) Financial Statements Auditors' Management Letter – KPMG reported a smooth audit this year and thanks were extended to the Chief Financial Officer and her team. KPMG presented their audit findings and outstanding matters, in particular the ESFA reconciliation statement. One low priority recommendation had been made, which was not of major concern and not to be adjusted. Members raised the perception that the figures for the pension deficit year on year change were different to the Members' report. Clarification was provided by the Chief Financial Officer. Members also asked the Chief Financial Officer to review the adjustment for non-cash items in relation to pensions' costs less contributions payable in the Members' report to check for accuracy. Members also questioned the accuracy of the life expectancy at retirement in the assessment of key assumptions section. The Chief Financial Officer confirmed that this aligns with the increase in Teachers Pensions contribution as life expectancy is reducing, the consequence being an increase in contributions nationally. Members also asked KPMG to check the accuracy of the coding in the key accounting estimates section of the report. Members discussed the coverage of the Management Letter and confirmation was received that it had addresses what it had needed to fulfil KPMG's reporting requirements, but that they would consider extending the commentary next year.

It was resolved:

To recommend Corporation approval of KPMG's Management Letter.

**Action: Chief Financial Officer.
KPMG.**

- d) Draft Report and consolidated Financial Statements 2017/18 – Following detailed scrutiny members raised various amendments and raised areas for further clarification/review by the Chief Financial Officer.

Members queried in the Members' report the absence of comment on the College's academic performance, and sought clarification on the achievement of the financial targets.

Members discussed the cash flow situation raised at the last Corporation meeting and the Chief Financial Officer confirmed that conversations are being held with the Bank about short term overdraft situations and their appetite to support the College if needed. Members asked KPMG if they had any concerns relating to cash flow to which they responded they had not. The Chief Financial Officer offered to investigate, in the New Year, the inclusion of a 12 month rolling cash flow in the management accounts.

Members noted that the KPMG slides suggested that senior staff remuneration was a matter for consideration. Nothing was noted to indicate that the disclosures are unreasonable.

Members asked KPMG how the presentation and detail in the Members' Report and Financial Statements compared to other Colleges. KPMG advised that there isn't much variation within the FE sector due to the use of the Casterbridge model and confirmation was received that the College does cover requirements. KPMG offered to undertake informal benchmarking if felt to be helpful.

It was resolved:

To recommend Corporation approval of the Report and Financial Statements year ending 31 July 2018, subject to changes discussed and final oversight by the Chair of the Audit Committee.

Action: Chief Financial Officer.

- e) Letter of Representation – Members received KPMG's Letter of Representation and assurances were received that the CEO & Executive Principal, Chief Financial Officer and Audit Committee are content with the Letter. Members raised the need for Corporation to review the Accounting Officer's Statement on Regularity, Propriety and Compliance referred to in the Letter of Representation and proposed that this point is raised at the December Corporation meeting.

It was resolved:

To recommend Corporation approval of the Letter of Representation.

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

Following consideration of the annual report, one minor typographical amendment was raised. Confirmation was sought, and received, that members were happy with the report's conclusion and recommendations.

It was resolved:

To recommend Corporation approval of the Audit Committee Annual Report, subject to one revision raised.

On behalf of the Audit Committee, the Chair extended thanks to the Chief Financial Officer and her team.

12. **2017/18 Bad debt write off**

The Chief Financial Officer presented the bad debt write off report and confirmed that the College continues to review the bad debt provision and is making the appropriate write offs against the provision where it is not economical to pursue the debt. In accordance with the College's Financial

Regulations bad debt write offs must be reported to Corporation. For 2017/18 this equated to £13,439.79 (2015/16 - £1,297.50; 2016/17 - £11,533.45).

Members noted that one bad debt amounted to £5,077 and questioned the reason for this. The Chief Financial Officer agreed to investigate further but thought this related to Higher Education provision.

The report was noted.

Action: Chief Financial Officer.

13. **Risk Management**

Members received risk registers for SGS College and SGS Commercial Services Limited and the Chief Financial Officer reported that she had nothing to raise. Members raised that some new risks added had not been included in the changes page to which the Chief Financial Officer apologised for this oversight. Members also mentioned the need raised at the last meeting to consider risks surrounding potential Higher Education partnerships and the Chief Financial Officer agreed to follow this up.

The risk registers were noted.

Action: Chief Financial Officer.

14. **Appointment of Auditor (Financial Statements Auditor)**

Confidential Item.

15. **Any Other Business**

There was no other business raised.

16. **Date of Next Meeting**

Thursday 21 March 2019, 3.00pm at WISE Campus.

The meeting commenced at 3.10pm

Tony Felthouse and Louise Tweedie left the meeting at 4.58pm (after item 13)

The meeting closed at 5.05pm

The meeting was quorate.