



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

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Thursday 21 March 2019  
At WISE Campus, New Road, Stoke Gifford, Bristol

<b>Present:</b>	Mike Croker	Corporation Member (Chair)
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Joe Lamonby	Corporation Member
	Dave Merrett	Corporation Member
<b>In attendance:</b>	Rich Aitken	Head of Finance
	Kevin Hamblin	CEO & Executive Principal
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

1. **Apologies for Absence**

Apologies were received from Tony Felthouse and Jude Saunderson. The Committee asked that their best wishes are passed onto the Chief Financial Officer for a full and speedy recovery. Members were informed that the Head of Finance would be joining the meeting in the absence of the Chief Financial Officer.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

RSM reported that they had no concerns to raise.

*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 19 Nov 18 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
  - i) The 2017/18 Annual Report of the Audit Committee.
  - ii) The Internal Audit Service Annual Report.
  - iii) The Financial Statements Auditor's Management Letter.
  - iv) The SGS College Members' Report and consolidated Financial Statements 2017/18.
  - v) The Letter of Representation to KPMG.
  - vi) Letter of Support to SGS Commercial Services.
  - vii) KPMG's re-appointment as Financial Statements Auditors for 2018/19 (being the second year of a three year period from 2017/18) based on the fee structure previously agreed.
  
- b) Actions on the Audit Committee action log were monitored and it was noted that all actions had been completed.

*At this point Pat Mcleod (Assistant Principal) and Sandra Carnegie (Team Leader Community Learning Filton) were invited to join the meeting.*

7. **Demonstration of SMART Assessor Tool**

Members received a demonstration of SMART Assessor Tool, its implementation was part of the College's response to recommendations made in a previous internal audit report.

A demonstration of the key features of the use of the tool and how it mitigates risks was provided, although it was noted that the tool is not yet fully implemented/embedded. The tool also acts as a tracker system and is used as a repository for audit evidence. Members questioned whether small employers used the system and were informed that they did even though their activity might be paper based.

*At this point Pat Mcleod (Assistant Principal) and Sandra Carnegie (Team Leader Community Learning Filton) were thanked for the demonstration and invited to leave the meeting.*

8. **Arrangements for cover in the absence of the Chief Financial Officer**

The Head of Finance was invited to inform the Committee of the cover arrangements in the absence of the Chief Financial Officer. Members were informed that the Chief Financial Officer is recovering well from her operation but suffers tiredness. The Head of Finance has been working with the Chief Financial Officer to prepare the budgets for next year and good progress is being made. For planning purposes the CEO & Executive Principal is working on the assumption that she will not return before the start of the new academic

year. The Head of Finance also provided an update on other key vacancies within the Finance Department and the cover in place.

Members asked who was responsible for preparing SGS Commercial Services accounts. Members were informed that the Financial Accountant continues to work on the accounts reporting directly to the Chief Operations Officer in the absence of the Chief Financial Officer. Members had raised concerns at Corporation about the budgets for SGSCSL being overly optimistic and confirmation was received that no settlements will be included in the accounts until receipt. Members asked if the Head of Finance can exercise an independent review of these accounts and the CEO & Executive Principal confirmed that he would also review alongside the Head of Finance. The Head of Finance also confirmed that when reviewing the budget setting for 2019/20 he would also include SGSCSL.

Members appreciated the extent of challenges faced by the Finance Department and assurance was provided that there is ongoing monitoring of the position especially for signs of pressure.

Members sought assurance of the contingency plan for the external audit in the absence of the Chief Financial Officer. Members were assured that finance resource is in place and advance planning is commencing. Members were informed that one individual was on a fixed term contract until Christmas but the College is now looking to make her permanent and the individual covering the work for SGS Academy Trust has been offered a 3 month extension.

**The verbal report was noted.**

*The Chair advised that he would be rearranging the order of the agenda items.*

9. **Internal Audit (Agenda Item 10)**

*At this point Gavin Murray (Assistant Principal Quality & Performance) was welcomed to the meeting.*

RSM reported on the following:

- a) **Framework for Compliance with Legal Requirements: Data Protection** – The audit was based on a 12-step guidance published by the ICO and how GDPR had been embedded in practice within the College. The audit resulted in no recommendations being made and the Committee considered this to be a good outcome.

Members questioned why RSM had not provided an audit opinion and were informed that it was too risky to give an opinion as a breach could occur at any time. The Assistant Principal reported that the approach taken is that a breach will inevitably happen and to try and reduce this risk technology measures are as tight as possible and there is an ongoing staff educational programme in place. When asked, confirmation was received

that staff on zero based contracts also receive GDPR training and there is no IT access until completed.

**The report was noted.**

- b) Academic Departmental Review: Higher Education and Professional areas  
- RSM reported an amber/green outcome which was a positive opinion, resulting in 5 low and 4 medium actions. RSM presented the recommendations, which had been accepted by the team. Members discussed the wording of the actions and suggested that it would be helpful to the Committee if a management comments column was added to RSM reports. When asked, members were informed that the new HR appraisal approach had been implemented due to poor completion rates. When asked, members were informed that the Art faculty stood out as low completion of the annual conversation due to the nature of the way in which they work and many staff have fractional contracts. However, staff can request an appraisal. Members suggested that it would be helpful to have the Assistant Principal HE & Adult's perspective on the report and that she should be invited to the next meeting.

Members discussed the finding relating to the HE annual review and whether the lack of full completion would impact on the College Self-Assessment report. The Assistant Principal advised that the Corporation provide an annual statement to the Office for Students and this was completed. However, there is not the same level of analysis as undertaken for the College SAR but process changes have been made this year. Members queried data in the budget summary and agreed to raise this with the Assistant Principal HE & Adult at the next meeting. The need to report financial performance to Corporation by reference to the original approved budget (rather than live budget data) was raised.

**The report was noted.**

**Action: RSM.  
Clerk.**

*At this point Gavin Murray (Assistant Principal Quality & Performance) left the meeting.*

- c) FE Benchmarking – Members were informed that the outcomes were aligned to the averages across RSM FE client base in 2017/18.

**The report was noted.**

- d) Key Financial Systems: Cash handling, cash receipting and banking – RSM reported that the audit had resulted in substantial assurance with 5 low and 1 medium actions arising and nothing significant to raise. Assurance was received from the Head of Finance that the bank mandate issue had now been resolved and, when asked, RSM confirmed that the action will form part of their follow up audit.

Members discussed the cashing up reports and whether there are efficiencies from other sites that could be learnt as there seemed to be bureaucracy around processes. The Head of Finance advised that he would not want to ban cash payments as he would not wish to turn customers away and there is also a concern that not all learners may have bank cards.

**The report was noted.**

- e) Follow Up – RSM reported on progress on actions and that reasonable progress in implementing agreed management actions had been made. Members raised that under half the agreed actions had been implemented and this was not considered to be a good outcome. The CEO & Executive Principal agreed to ensure that there is a more regular review of actions in the absence of the Chief Financial Officer.

**The report was noted.**

- f) Progress report, including updates against the Internal Audit Protocol – When asked, members were informed that there are 4 reports to be presented at the next meeting. Members asked if an assurance opinion had been agreed for the draft Post 1 May 2017 Apprenticeship review and were advised that this remains under discussion and further embedding of the SMART Assessor tool is required. Members raised the lack of contact with employers as a concern and whether the SMART Assessor tool would be onerous for some employers. RSM advised that the same concerns exist across the sector and of the need to use the system to record the start and end dates to evidence minimum duration.

**The report was noted.**

## 10. Risk Management (Agenda Item 9)

The CEO & Executive Principal reported the biggest risk is the College's financial position next year and viability as many assumptions are being made for planning purposes and consideration of mitigations has commenced. Members raised that the risk register identifies risks on an individual basis and if aggregated the cumulative position is a higher risk that is not evident in the risk register. The CEO & Executive Principal advised that his preference was to retain risks on an individual basis for ease of monitoring and demonstration of actions being taken. Members suggested that these risks are supplemented with a consolidated risk relating to viability. The need to consider the impact on the College's financial health was also raised.

Members questioned the requirements of WECA in risk E10 and asked whether the external auditors were required to provide an independent audit report as opposed to the Chief Financial Officer. The Head of Finance agreed to follow up the required audit certification. Members questioned whether there are any risks to cash flow and the Head of Finance confirmed that there

are no concerns and assurance was provided that cash flow is reviewed on a daily basis.

Although no changes had been made in the covering report relating to SGS Commercial Services risk register, members queried timescales referring to 31 July 2020 and asked that these are reviewed.

Members asked who is covering as Head of Risk Management in the absence of the Chief Financial Officer as assurance was needed that the risk register is being regularly reviewed and updated, in particular the timescales for mitigating risks as they had been pushed out. The CEO & Executive Principal agreed to review.

**The report was noted.**

**Action: Head of Finance.  
CEO & Executive Principal.**

#### 11. **Financial Policies**

Members were presented with the suite of financial policies that had been subject to review. In light of revisions to the Post-16 Audit Code of Practice it was proposed that the Anti-Bribery, Anti-Corruption and Anti-Fraud policy and Risk Management & Assurance policy are pulled from the meeting and carried forward to the next meeting to allow time for further review against the Code.

Members raised the need to report any whistleblowing concerns to the Audit Committee annually and the Clerk agreed to include as part of the 2019/20 Audit Committee business plan.

Members asked that the Declaration of Interest policy makes clear that gifts and hospitality require prior, rather than retrospective, approval.

**It was resolved:**

- a) **To recommend Corporation approval of the Anti-Money Laundering, Treasury Management, Whistleblowing policies to Corporation for approval.**
- b) **To recommend Corporation approval of the Declarations of Interest policy to Corporation for approval, subject to clarification that gifts and hospitality require prior, rather than, retrospective approval.**
- c) **To carry forward the Anti-Bribery, Anti-Corruption and Anti-Fraud policy and Risk Management & Assurance policy to the next meeting to allow time for further review against the revised Post-16 Audit Code of Practice.**

**Action: Head of Finance.**

12. **Financial Regulations**

Members were informed that this item is to be carried forward to the next meeting.

In the context of the financial regulations, the Chair raised discussions held at Corporation relating to the College failing in its bid for an ESFA ESF NEET contract for the West of England LEP area and subsequently becoming a sub-contractor to the successor company to Learn Direct and the Corporation's concerns about the awarding of this contract. The Vice-Chair of the Audit Committee (Phil Eames) was following up these issues with College management and raised whether the College undertakes upward due diligence, as recommended in AoC guidance, because the risk of not being paid for delivering the contract lies with the College. There is no obligation on the ESFA to pay the College should Learn Direct become insolvent. The CEO & Executive Principal advised that the due diligence lies with ESFA who awards these contracts and RSM confirmed that other Colleges do not undertake this type of upward due diligence. The need to consider resource requirements to undertake due diligence was also raised by the CEO & Executive Principal. Members raised that it needed to be documented that management are prepared to accept the risk and for contracts that require Corporation approval the CEO & Executive Principal should flag if due diligence is considered necessary. It was proposed that the College's Financial Regulations are updated to reflect that contracts over £100k that require Corporation approval assurance is needed that the College is dealing with a fit and proper organisation and that due diligence is to be undertaken should this be deemed appropriate by the CEO & Executive Principal.

**The report was noted.**

**Action: Head of Finance.**

13. **Gifts & Hospitality Register and Fraud Register**

Members noted one entry on the gifts and hospitality register, which appeared to have received retrospective approval. Member asked that the Financial Regulations and Declarations of Interest policy, if appropriate, makes clear that prior approval for hospitality is required. The CEO & Executive Principal confirmed that prior approval had been sought and that the log was inaccurate. Members also sought clarity of the meaning of the "Dated" column in the gifts and hospitality register.

**The registers were noted.**

**Action: Head of Finance.**

14. **Audit Action Plan**

Members noted that the due dates for the new recommendations added were not yet due and that some of the implementation dates required updating.

Members noted the updated commentary on staff utilisation and RSM confirmed that the comments made will be considered as part of their planned audit.

**The report was noted.**

**Action: PA to the Chief Financial Officer.**

15. **Post-16 Audit Code of Practice 2018/19**

The Clerk reported that the Post-16 Audit Code of Practice had been revised and attention was drawn to the expanded section on fraud, regularity and reporting and the introduction of a counter fraud strategy and anti-fraud checklist. Following review of the Code changes were proposed by the Clerk to the Committee's terms of reference.

Members were informed that RSM are working on a briefing and example anti-fraud strategies. Members discussed the Code and agreed that revisions to the Committee's terms of reference should be carried forward to the next meeting in order to consider alongside the revised anti-fraud policy. Members also discussed the range of assurance required to inform the wide ranging opinion required in the Committee's annual report as required by the Code. It was agreed that the Chair would liaise with RSM in relation to assurance mapping. It was also suggested that the College self-assesses against the checklist in Annex D as part of an anti-fraud review and produces an anti-fraud strategy for consideration at the next meeting.

**The report was noted.**

**Action: Chair of the Audit Committee.  
CEO & Executive Principal.**

16. **Any Other Business**

There was no other business raised.

17. **Date of Next Meeting**

Thursday 13 June 2019, 3pm at WISE campus.

The meeting commenced at 3.05pm  
Rich Aitken joined the meeting at 3.14pm (during item 7)  
Dave Merrett left the meeting at 4.30pm (after item 9)  
The meeting closed at 5.29pm  
The meeting was quorate.