



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

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Monday 13 November 2017  
At Filton Campus, Filton Avenue, Bristol, BS34 7AT

<b>Present:</b>	Phil Eames	Corporation Member (Chair)
	Mike Croker	Corporation Member
	Joe Lamonby	Corporation Member
<b>In attendance:</b>	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

The Chair opened the meeting and brought forward agenda item 3.

1. **Auditor Concerns (Agenda item 3)**

KPMG and RSM were invited to raise any issues that they wished to discuss in the absence of College management. RSM had no concerns and KPMG referred to their Management Letter as this covered the key points. Members questioned whether there would be an impact as the Chief Financial Officer was struggling to replace the Head of Finance. Members were informed that there would be an impact as this could cause operational difficulties as evidenced previously. Members asked if the audit process had run smoother this year. Although it had, there was room for improvement and with the introduction of the new finance system there should be improved efficiencies.

*At this point College Management were invited to join the meeting and Moira Foster-Fitzgerald (Chief Group Services Officer) also joined the meeting.*

2. **Apologies For Absence (Agenda item 1)**

There were no apologies received.

3. **Declarations of Interest (Agenda item 2)**

There were no new declarations of interest raised.

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 Sep 17 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
- (i) Of an additional audit on the HR recruitment process for a maximum of 3 days at a cost of £410 per day.
  - (ii) Of revisions to the Audit Committee Terms of Reference.
  - (iii) That the College does not re-tender for Financial Statements Auditor and Internal Audit Service.
- b) Members monitored actions on the Audit Committee action log and updates were provided. The Chief Financial Officer confirmed that the threshold of £164k was not retrospective and going forward the College was compliant with public procurement rules. Having spoken to KPMG, as Tony Felthouse is now lead on the audit and will be signing the accounts, it's effectively the start of a new 7 years. The Clerk confirmed that contact had been made with other Colleges, through the Clerk's network, the outcomes of which had been circulated outside of the meeting. In summary, there is mixed practice with the majority appointing external auditors on a 3-yearly cycle with annual reviews.

The Chair advised that he would be rearranging the order of the agenda and bringing forward agenda items 8, 9 and 10.

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

- a) Human Resources Framework: Recruitment and Selection Controls - RSM presented the report and advised that the audit had received a partial assurance with 1 high, 3 medium and 3 low recommendations made. The Chief Group Services Officer wanted to record that the context for this audit was against a backdrop that acknowledged the significantly increased pressures placed upon the HR team with no additional resources over an extended period of time. The Chief Group Services Officer provided a hand out to members of the key points that she wanted to highlight in response to the report. She stressed that the areas of non-compliance did not put any learners at risk and were variations from the procedures picked up by RSM.

Members asked if the Chief Group Services Officer was in agreement with the report. Confirmation was received that she was apart from recommendations 2 and 13 which had subsequently been discussed with RSM. RSM confirmed that evidence had since been provided and the report would be re-issued for noting at the next meeting. Members noted that the outcome of the audit had been based on the walk through

of one employee's experience and questioned whether this provided sufficient assurance that there are no further gaps. The Chief Group Services Officer confirmed that when the issue had arisen the Head of Human Resources carried out an audit spanning over two years of records. Confirmation was received that a recruitment officer is now in place together with new HR systems so there is confidence that references will be received prior to employees starting work.

Members were assured that RSM are used by the College to review areas of concern in order to help the College improve and the mistake stemmed from not having sufficient support resource, due to financial pressures, which has now been addressed. Members noted that the DBS check was received the day after the employee started but RSM had deemed this to be compliant. Members were informed that a risk assessment had been undertaken and there were no students in College at that time. Confirmation was also received that all staff are now DBS checked, as suggested as good practice by Ofsted.

Members concurred that a good response had been received from the Chief Group Services Officer. Following discussion it was agreed that a 1 day follow up in April/May 2018 would be beneficial. This should be taken from the existing audit plan and outcomes reported at the June Audit Committee meeting.

**The report was noted.**

*At this point Moira Foster-Fitzgerald left the meeting.*

- b) AGE Grant – Members were informed that this was an additional mandatory piece of work undertaken by a separate audit team. The outcome being that the College was compliant with only minor exceptions. Members were informed that the letter should say “14” in the brackets in the second bullet point under the exceptions heading. When asked, it was confirmed that the College had only submitted one claim at that time but did submit a subsequent claim. Confirmation was received that the second claim did not require auditing and that AGE Grant no longer exists.

**The report was noted.**

- c) Internal Audit Service's 2016/17 Annual report – Following its consideration at the last meeting, members received the final annual report showing a clean internal audit opinion. Members questioned whether the report should include some generic issues and were informed that RSM's benchmarking report will pick up on this and will be presented at the next meeting. If there was a particular theme for an individual client it would be mentioned in the report but there is no consistent theme at this College. It was also reported that RSM also conduct cross College thematic reviews and these reports cover lessons learned from other Colleges.

**It was resolved:**

**To recommend Corporation approval of the Internal Audit annual Report – Year ended 31 July 2017.**

- d) Progress report – RSM presented a progress report and advised that dates would be checked in relation to the HR follow up report. Also included were various client briefings.

**The report was noted.**

On behalf of the Audit Committee, the Chair thanked Louise Tweedie and her team for the audit work undertaken.

8. **Financial Statements Audit (Agenda item 9)**

- a) Members received, and noted, the SGS Group Services Report and Financial Statements 2016/17. Members were advised that this company is dormant and there had been no transactions during the year. HMRC have not recognised this as a dormant company and are requesting a tax return therefore the signed accounts will be submitted to HMRC.
- b) Members received, and noted, the SGS Commercial Services Limited Report and Financial Statements 2016/17, Letter of Representation and Letter of Support to SGS. The Chief Financial Officer reported that although the company did make a loss it was a slightly improved position against budget. Due to the net liabilities there will be a need again this year to approach SGS Corporation for a letter of support. Members discussed the credit balances on the sales ledger and the Chief Financial Officer provided the context behind this and advised that any over payment by tenants would be refunded with one option being to offset any credit against future charges. Due to an increasing knowledge of the site the charges for this year are more reasonable. Following review, a couple of typographical errors were raised. When asked, KPMG confirmed that they had nothing to add.
- c) July Management Accounts – The Chief Financial Officer apologised that the July management accounts on boardpad were incorrect and that the correct version will be circulated after the meeting together with a reconciliation against the management accounts and financial statements. Members were provided with the headline figures and outturn versus budget. Members were informed of a large pension adjustment this year that had not been included in the management accounts but had been included in the financial statements. Members raised that the accounts are distorted by the pension valuation and raised that the net current assets was hugely different to the financial statements. The Chief Financial Officer agreed to investigate further.

**Action: Chief Financial Officer.**

- d) Draft Report and Financial Statements 2016/17 – Following scrutiny of the draft report and financial statements members questioned whether the financial objectives referred to the College as the Corporation adopted them or the Group and the meaning of College versus Group required clarification. The Chief Financial Officer agreed to review. Members also raised the need to add the holiday pay accrual to KPMG’s management letter. Following submission of the financial plan to the ESFA members asked whether confirmation had been received that they were satisfied. Confirmation was received that the ESFA were satisfied. Members asked whether everyone was content that the College was a going concern and confirmation was received that they were. Members raised typographical errors and raised areas for further clarification/review by the Chief Financial Officer.

Following KPMG training to Corporation on financial reporting the Chair drew attention to a slide covering what governors should be focusing on in the financial statements and these areas were reviewed and discussed by the Committee. Members raised the need for Corporation to receive the reconciliation of the financial statements to the management accounts as the outturn causes confusion between the two documents.

**It was resolved:**

**To recommend Corporation approval of the Report and Financial Statements, subject to changes discussed and final oversight by the Chair of the Audit Committee and that the final Report and Financial Statements are circulated to Audit Committee members.**

**Action: Chief Financial Officer.**

- e) Financial Statements Auditors’ Management Letter – KPMG presented the management letter and confirmed that the audit is substantially complete and where it is expected to be at this stage. Members asked if the final reconciliation statement had been received from the ESFA. Although not yet received, no surprises were expected. The recommendations arising from the audit and follow up of prior year recommendations were presented. When asked, KPMG confirmed that they were content with the management responses. Reference was made to the audit differences and confirmation was received by the Chief Financial Officer that she would prefer to leave as stands as the College is in “good” financial health. Members raised that this information understates how well the College has achieved and that this point should be made to Corporation. Members raised the need to update the adjusted result for the year to include holiday pay accruals. In relation to retirement benefits members asked KPMG to check the accuracy of their comment that the net discount rate is outside of their acceptable range.

**It was resolved:**

**To recommend Corporation approval of the Management Letter, subject to changes raised and final oversight by the Chair of the Audit**

**Committee and that the final Management Letter is circulated to Audit Committee members.**

**Action: KPMG.**

- f) Letter of Representation – KPMG presented the Letter of Representation and advised that there were no new points subsequent to last year’s letter. Members questioned whether a relationship still exists with Bristol Academy Women’s Football Club. It was reported that Kevin Hamblin remained a Director to protect the College’s asset as being used by BAWFC. It was agreed that reference to BAWFC is now to be removed.

**It was resolved:**

**To recommend Corporation approval of the Letter of Representation, subject to one change raised.**

**Action: KPMG.**

On behalf of the Audit Committee, the Chair thanked Tony Felthouse and his team for the audit work undertaken.

The Chair also wished to formally thank the Chief Financial Officer and her team on the work undertaken on the audit and the preparation of the accounts.

9. **Audit Committee Annual Report to the Corporation and the CEO & Executive Principal (Agenda item 10)**

Following consideration of the annual report RSM raised the need for the wording in the conclusion of the report to reflect the wording in the Post-16 Audit Code of Practice.

**It was resolved:**

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

10. **Risk Management (Agenda item 7)**

The Chief Financial Officer reported that there were no significant changes to the SGSCSL risk register. The key priority is to generate cash and it is hopeful that any damages received from Wessex Water can be invested in the BT infrastructure.

The Chief Financial Officer reported that risk CD8 on the College’s risk register had moved on and that there was sufficient funding support to cover learners, as less learners than forecast. Members asked if it was possible to place the higher risks at the top of the register in order to target discussion. The Chief Financial Officer agreed to give this further consideration.

The Chair reported that, at the last meeting, members had requested a separate report on risk HR4 and that this report will be presented at the next meeting.

Members discussed risks E5 and E7 relating to the College estate and timescales quoted. Members raised that the estate strategy wouldn't change the scoring but the implementation of the strategy is what would change the risk. The Chief Financial Officer agreed to raise with the Chief Operations Officer, Commercial & Estates. Members also discussed HR10 and noted the revised timescale and questioned whether this was an appropriate response. The Chief Financial Officer advised that the Chief Group Services Officer and Head of HR are due to attend the next Audit Committee meeting, which will give members the opportunity to discuss further.

**The report was noted.**

11. **2016/17 Bad debt write off**

Members were informed that a huge exercise has been undertaken to cleanse the old debt, which has been fully provided for in previous years, for which all debt collection processes have been exhausted and which is deemed irrecoverable. Appended to the report were recommendations submitted to the Executive Team to cease debt management procedures for 2013/14 and 2014/15 debtors and write off the resultant debts against Bad Debt write off provision, as the cost (both in time and resources) outweighs the benefit. The debt was summarised as:

Year	Individual student debt written off in 2016/17	Sales ledger debt written off in 2016/17	Balances cleared from student ledger through business case	Total adjustment
11/12	10,064	-	-	10,064
12/13	6,636	(3,323)	-	3,313
13/14	10,502	1,514	153,344	165,360
14/15	1,406	-	171,829	173,235
15/16	12,377	5,443	-	17,820
16/17	19,028	5,895	-	24,923
			<b>Grand Total</b>	<b>394,715</b>

Members questioned the cause of the high debt in 2013/14 and 2014/15 and were advised that much of the debt was due to a system error so did not reflect the true debt position.

**The report was noted.**

12. **Audit Action Plan**

Members monitored the audit action plan and noted that actions relating to data protection had been pushed back in light of the new General Data Protection Regulations. Members questioned the accuracy of timescales of some of the actions and the Chief Financial Officer agreed to investigate.

**The report was noted.**

**Action: Chief Financial Officer.**

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

Confidential Item.

14. **Any Other Business**

Members raised that the Audit Committee meeting had been too close to the November Corporation meeting and, if possible, next year should be held later.

15. **Date of Next Meeting**

Thursday 15 March 2018, 3.00pm at Filton Campus.

The meeting commenced at 3.15pm

Kevin Hamblin left the meeting at 5.25 (after agenda item 9)

Tony Felthouse and Louise Tweedie left the meeting at 5.50pm (after agenda item 12)

The meeting closed at 6.00pm

The meeting was quorate.