



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Thursday 21 September 2017
At WISE Campus, New Road, Stoke Gifford, Bristol

Present:	Phil Eames Joe Lamonby	Corporation Member (Chair) Corporation Member
In attendance:	Kevin Hamblin Jude Saunderson Karen Gentles Sharon Glover	CEO & Executive Principal Chief Financial Officer RSM (Internal Audit Service) Clerk

The Chair formally welcomed everyone to the meeting and introductions were made. The Chair explained that Mike Cogger has taken a sabbatical and in his absence he had been appointed by the Corporation to chair the Audit Committee meetings until the end of this year, after which Mike Croker had been appointed Chair of the Audit Committee from 1 Jan 18.

1. **Apologies For Absence**

Apologies were received from Mike Cogger, Mike Croker, Tony Felthouse, Louise Tweedie (Karen Gentles attended the meeting in her place) and Sara-Jane Watkins (Kevin Hamblin attended the meeting in her place).

2. **Declarations of Interest**

There were no new declarations of interest raised.

3. **Auditor Concerns**

RSM was invited to raise any issues that they wished to discuss in the absence of College management and none were raised.

At this point College Management were invited to join the meeting and Jude Saunderson joined 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 Jun 17 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
- (i) KPMG's Letter of Engagement.
 - (ii) The Internal Audit needs assessment, strategic plan and 2017/18 annual plan.
 - (iii) RSM as Internal Audit Service for 2017/18, with effect from 1 August 2017.

Members requested an update on risk C5 (Poor self-assessment quality processes) and were advised that the same consultants that carried out the initial external health check are scheduled to return to the College in three weeks' time to undertake classroom observations. The aim is to ensure that processes and challenge are in place as formal observations were discontinued. The Vice Principal Quality & Learner Services will be presenting an update to Corporation and it was suggested that this remained as a primary risk until processes have embedded.

- b) Actions on the Audit Committee action log were monitored and updates provided. The Chief Financial Officer confirmed that the format of the risk register has been revised and the updated format will be presented at the next meeting. Confirmation was also received that the risk criteria for SGS Commercial Services risk register has been reviewed with the CEO & Executive Principal and Chief Operations Officer, Commercial & Estates.

On behalf of KPMG, the Chief Financial Officer reported that KPMG do not undertake formal benchmarking of ESFA Sub-Contracting audits but informally the nature of issues are not out of line and there are no concerns that the outcomes are significantly different than other Colleges. Confirmation was also received that the ESFA do not require an overall conclusion in the report and that delegated authority for the Director of Work-based Learning to sign the assurance certificate had been provided by the College Principal.

At this point, Pat Mcloed, Apprenticeship & Employer Responsive Director and Cath Tuckfield, Partnership Manager, were invited to join the meeting.

- c) The Chair welcomed Pat and Cath to the meeting and commented that most of the reports Corporation receive about subcontracting apprenticeships are very positive and this report came as a surprise. Therefore, they had been invited to the meeting to provide an update and assurance to the Committee to enable them, in turn, to provide assurance to the Corporation.

The Chief Financial Officer informed that the report had been historically based and there contained a lot of duplication which was raised with KPMG. As a result a revised report was produced. Assurance was provided in relation to the financial controls in place and confirmation was received that action timescales have been incorporated, with most actions having now been completed.

The Apprenticeship and Employer Responsive Director provided a comprehensive report of actions taken to address observations raised. Members questioned the process where sub-contracting with a new organisation yet to produce accounts takes place. Assurance was provided that there is a provision in the sub-contracting policy for this instance and the top slice is a higher element to account for this. The Chief Financial Officer confirmed that she would not sign anything off unless she was satisfied. Members questioned whether there was any financial exposure and confirmation was received that there was not as service was delivered prior to payment. Members were also informed that a document exists to confirm how financial risk is mitigated and KPMG are satisfied with this and members were assured that this area of the business is incredibly well managed. Members confirmed that a lot of praise worthy comments have been received about the area and that a very good response to the audit had been received.

Members asked whether the audit will be repeated next year and were advised that ESFA guidance on this is awaited. When asked, it was confirmed that due to pressing timescales there had been no time for a formal tender process for this audit. Therefore, current internal and external auditors were approached and the College had gone with the cheapest quote. Members suggested that other factors, rather than just price, should also be taken into consideration. When asked if a follow up audit was planned, the Chief Financial Officer confirmed that KPMG would be asked to review as part of their external audit work however, this audit will be formally followed up as part of next year's audit. The Chair recorded his thanks to Pat and Cath and concluded that the Committee were content that concerns raised have been met.

At this point Pat Mcloed, Apprenticeship & Employer Responsive Director and Cath Tuckfield, Partnership Manager, were invited to leave the meeting.

7. **Risk Management Report**

The Chief Financial Officer presented the draft Risk Management annual report, accompanied by the primary risk registers for SGS College and SGS Commercial Services Limited, and advised that reference to personal individuals in the risk section of the annual report would be removed. Members also suggested that it would have been helpful to clarify in the purpose section of the covering report what happens to the risk management annual report. When asked, confirmation was received that the risk registers are not submitted to the ESFA. Members also suggested that there should be clarity in relation to reference to Corporation's duties being

discharged and the Chief Financial Officer agreed to update the annual report accordingly. It was also suggested that comparative risk data with last year would be helpful to include in Section B of the report and to state what risks are new, lost or remained the same. Members sought clarity on reference to the Risk Management Group and it was confirmed that this referred to the Executive Team who meet as a group and review risks. Members raised the need to ensure that sufficient time is allocated to risk management at these meetings.

Following review of the primary risk registers members drew attention to risk C15 (reduction in quantity of 16-18 applications) and questioned the quantity. Members were informed that applications had increased and that reference to applications should be amended to reflect enrolments. Members questioned the position at Stroud campus and were advised that Performing Arts is down on enrolments but overall enrolments were fine. Berkeley campus is in a positive position and a review of student numbers across the College is scheduled for next week.

In relation to risk HR4 (inability to attract/retain staff at the required levels/quality) members questioned whether staff numbers are changing and were informed that the College had just recruited 120 staff and some vacancies remain. The recent 1% pay award was considered to be a help. Members discussed the level of churn and it was reported that the Executive Team recognise the need to invest in staff and the Vice Principal Quality & Learner Services is planning to bring a discussion paper to the Executive Team. Members considered this to be a fundamental risk to the College and the outcome of the discussion was that an in depth review of this risk and mitigation was required and that the Chief Group Services Officer and Head of HR should be invited to the next Audit Committee meeting to present a separate report on this.

In relation to SGS Commercial Services Limited primary risk register it was noted that the likelihood of the College financially supporting the subsidiary company had increased. Members were informed that Corporation had supported the final payment to the NDA, the letting of building C11 has not yet occurred and site wide works had been supported and this had an impact on cash. The need for careful monitoring of the subsidiary company was raised. Members also noted the increase in likelihood of the Local Authority triggering a rates review of the site. The Chief Financial Officer reported that the site had been recently assessed and confirmation was received that some provision had been made in the accounts but the final outcome was awaited.

The report was noted.

Action: Chief Financial Officer.

8. Internal Audit

RSM presented the following:

- a) Progress report – Members were informed that primarily the report covered the assignments planned and timescales. Confirmation was received that, subsequent to the last meeting, no client briefings had been issued. Members noted that some audit dates had been changed and confirmation was received from the Chief Financial Officer that these were acceptable operationally to the College. The Chair raised that the CEO & Executive Principal was looking to commission further audit work in relation to the recruitment process due to weaknesses uncovered. Following discussion it was agreed that this audit should be in addition to the audit plan and, if possible, should be undertaken prior to the next Audit Committee meeting. The Chief Financial Officer was asked to speak with Louise Tweedie (RSM) to agree the number of days needed and costs and for an update to be provided at the October Corporation meeting.

The report was noted and it was resolved:

- a) **To recommend Corporation approval of an additional audit on the HR recruitment process.**
- b) **To delegate authority to the Chief Financial Officer to discuss the days needed and costs for this audit with RSM and update the Corporation at the October Corporation meeting.**

Action: Chief Financial Officer.

- b) Final 2016/17 Annual Report – Following the last meeting confirmation was received that the error detected in the draft annual report had been rectified and apart from this change the remainder of the report and opinion had remained unchanged. When asked, the Chief Financial Officer confirmed that she was content with the report.

The report was noted.

9. Education and Skills Funding Agency Regularity & Propriety Questionnaire

The Chief Financial Officer reported that there were a few changes that ESFA had introduced in the questionnaire; which is used by the external auditors as part of their regulatory review. Members were informed of the need to disclose expenses of key management personal and governors and the current figures will be updated in the questionnaire, prior to signing, to reflect the full 12 month period.

Following review of the questionnaire members questioned whether reference to ESF funding should be included and the Chief Financial Officer agreed to double check with KPMG. Members also referred to the omission of the sale of Elm Tree Cottage and that reference should be included to reflect that students travelled overseas as part of the Philippine's project.

The report was noted.

Action: Chief Financial Officer.

10. **Audit Action Plan**

The Chief Financial Officer reported that progress was pleasing and that the audit action plan is being given high priority at Senior Leadership Team meetings. Changes in College systems has made a big difference and due to these changes it makes sense to delay some of the policy updates due to an overhaul of data protection policies. Members noted that the action due date relating to Pro Solution required updating and the Chief Financial Officer agreed to follow this up. Members discussed the action relating to staff utilisation and questioned whether this can now be addressed with the new systems. Members were advised that this would be a big piece of work and there have been other priorities. Members suggested that alternative means of achieving the action should be considered as this action had been on the action plan for a long time. Members asked that an update on this action is tied into the HR report requested for the next meeting.

Action: Chief Financial Officer.

11. **Audit Committee Terms of Reference**

The Clerk presented minor changes to the Audit Committee terms of reference for members' consideration. Following review further changes were proposed and it was agreed that the membership of the Committee should consist of up to five external members of the Corporation. Members raised whether specific reference should be made to the ESFA sub-contracting audit in the terms of reference. The Clerk and RSM confirmed that this was generically covered under section 3.6 of the terms of reference.

It was resolved:

To recommend Corporation approval of the Audit Committee terms of reference, subject to changes discussed.

12. **Nugget Training**

Members discussed and agreed topics for future nugget training.

At this point Karen Gentles (RSM) was invited to leave the meeting. Karen asked if there was any AoB for her and members confirmed there was not.

13. **Re-tendering of Internal Audit Service and Financial Statements Auditors**

Confidential Item.

14. **Any Other Business**

Confidential Item.

15. **Date of Next Meeting**

Monday 13 November 2017, 2pm at Stroud campus.

The meeting commenced at 2.10pm

Kevin Hamblin joined the meeting at 3.15pm (during agenda item 8a)

Karen Gentles left the meeting at 3.50pm (after agenda item 12)

The meeting closed at 4.30pm

The meeting was quorate.