



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

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Thursday 27 September 2018  
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            |

|                       |                 |                           |
|-----------------------|-----------------|---------------------------|
| <b>In attendance:</b> | Kevin Hamblin   | CEO & Executive Principal |
|                       | Jude Saunderson | Chief Financial Officer   |
|                       | Sharon Glover   | Clerk                     |

1. **Apologies for Absence**

Apologies were received from Tony Felthouse, Joe Lamonby, Dave Merrett and Louise Tweedie.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

This item is to be carried forward. The Committee expressed their disappointment that the RSM Director was unable to attend this meeting.

4. **Other Items of Urgent Business**

Although there were no other items of urgent business, the Committee did raise that the grant from the West of England Combined Authority in relation to the development of a STEM building at WISE Campus would require auditing. The Chief Financial Officer reported that she had no preference of auditing company and would obtain quotations. The Committee asked that any audit report is presented to the Audit Committee. The Chief Financial Officer was also informed that claims can normally be made for staff salaries and these costs need to be factored in. The Chief Financial Officer agreed to take this forward.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 14 June 2018 were approved and signed as a correct record.

6. **Matters Arising From Those Minutes**

Corporation approval of the following was noted:

- (i) The Internal Audit needs assessment, strategic plan and 2018/19 annual plan.
  - (ii) Revisions to the Audit Committee Terms of Reference.
  - (iii) RSM as Internal Audit Service for 2018/19, with effect from 1 August 2018.
- b) Actions on the Audit Committee action log were reviewed. In relation to the Post 1 May 2017 Apprenticeships Framework Review, assurance was sought, and received, that this would form part of RSM's follow up audits. Also raised was the need to consider the replacement of IT governance in place of the usual governance audit and that the Chief Financial Officer and RSM should discuss further.

7. **Post Project Review of College Systems Implementation (Agenda Item 8)**

Members received a post project review of the implementation of College systems; HR, Finance, and MIS (ProSolution). Members were informed the system changes were not primarily for cost savings. Further development of the Finance / MIS interface is required. Members questioned the timeframes for the further development of the system. Ideally a solution by Christmas was the preference and five days consultancy had been agreed with the company. Members asked if management accounts would be automated and were advised that this was not far off. Members questioned whether the system had achieved its objectives and of the feedback from users. Members were informed that the system implementation had been very successful and that further ownership by the users was required via further system training.

**The report was noted.**

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

- a) Members received an updated Letter of Engagement to reflect GDPR implementation.

**It was resolved:**

**To recommend Corporation approval of RSM's Letter of Engagement.**

- b) The following were considered:
  - (i) Draft 2017/18 Annual Report. - Members noted an amber/green annual opinion had been provided, which was consistent with previous years. The Chief Financial Officer and staff were congratulated on a successful outcome.

**The report was noted.**

- (ii) Progress report - Members received the progress report and asked that the Chief Financial Officer liaises with RSM to ensure an even flow of reports to Audit Committee meetings.

**The report was noted.**

9. **Waivers/Breaches of Financial Regulations (Agenda Item 13)**

The Chief Financial Officer presented the report. Following its consideration members questioned the two separate payments for a consultant to undertake a health check at the College and whether these had been split to avoid the financial regulations. Members were assured that this had not been the case as the costs related to two separate occasions and that the College would not have gone to tender for this service. Members also discussed the travel entry and noted that four breaches of the financial regulations had also been from the same department. Members were assured that actions had been taken within this faculty.

**The report was noted.**

*At this point Pat McLeod, Director of Work Place Learning was invited to join the meeting.*

10. **Post 1 May 2017 Apprenticeships (Agenda item 7)**

The Director of Work Place Learning provided the context of the audit in that it was the first audit of new and radical apprenticeship reforms and the College was still interpreting the new funding rules. Although some findings were attributable to human error a Head of Faculty is now in place responsible for the quality of provision and provides greater control. Members were informed of the challenges faced, in particular price negotiation with employers. It was confirmed that an apprenticeship business model is in place with all apprenticeship provision having been costed. The College cannot afford to reduce prices to run a viable provision nor does it have the capacity in the team to provide individually negotiated prices.

At the time of the audit all providers were struggling with the funding rule changes. Members were informed of actions taken to ensure there is clarity of price and understanding of obligations with employers. Members discussed the charging bands and were informed that only 20 out of 800 starts were being charged above the band level. Members questioned whether 20% off the job training was a high risk factor to ensure delivery. Members were informed that that some off the job training was provided by the employers in the work place.

In order to assist with monitoring the SMART Assessor tool has been introduced. From 1 August 2018 all applications are entered onto SMART Assessor however, there will be legacy apprenticeships that will not be on the

new system. It was suggested that a demonstration of SMART Assessor would be helpful, perhaps before the March Audit Committee meeting. Members asked the Director of Work Place Learning how well the College is doing. Members were informed that although down on starts this year it had been higher than in the previous year and the College was ahead of benchmark success rates with the FE Choices survey results also scoring highly. Employers remain loyal to the College and the College invests in the account management team.

**The report was noted.**

11. **Education and Skills Funding Agency Sub-contracting Audit**

Members were informed that in accordance with the terms of the funding agreement with the ESFA an annual audit is required on the arrangements the College has in place to manage and control its subcontractors in accordance with ESFA guidance. Two medium and three low observations were identified from this audit and this was considered to be a pleasing outcome. Members questioned whether there was a minimum level of contract and the margin made on this type of provision. Members were informed that the fees and charges policy determines the payment and although AASE does not provide a big margin it contributes to turnover as it attracts learners to the College.

Members concurred that this had been an improvement on last year's report and the Director of Work Place Learning and his team were thanked.

*At this point Pat McLeod, Director of Work Place Learning left the meeting.*

12. **Risk Management Report (Agenda item 9)**

The Chief Financial Officer presented the draft risk management annual report. Members considered the report and some revisions were raised.

Members also received the risk registers for SGS and SGSCSL. Members raised that at the last meeting it was requested that primary risks are to be reported at the start of the risk register and the Chief Financial Officer apologised for this oversight.

Members noted that, at the last committee meeting, the timescales for implementation of some of the mitigations to primary risks in the SGSCSL register were stated as August 2018, whereas in the current version implementation had slipped to August 2019. The Chief Financial Officer agreed to investigate further.

Members discussed the 3-year A Level programme. Members were informed of the background to this and that there are very few learners on this programme and that the programme is not financially good for the College.

Members asked that the risk of attracting/retaining staff (HR1) is amplified in the Risk Management Report given that it is difficult to recruit and retain staff

when there is no funding support for a College pay award, unlike schools. Members also questioned whether there should be risks on the register for the STEM project and HE partner proposals. Members were informed that it is early days for these initiatives and that risks will develop as the projects evolve.

Members also questioned whether new risks had emerged during the year that should have been reflected in the risk register. The Chief Financial Officer was asked to review the risk score for GDPR as there is a general risk that there could be a data breach which could then have a high impact.

**The report was noted.**

**Action: Chief Financial Officer.**

13. **Education and Skills Funding Agency Regularity & Propriety questionnaire (Agenda item 12)**

The Chief Financial Officer advised that the questionnaire was required for external audit purposes and that the format had changed from last year. Members scrutinised the questionnaire and sought, and received, clarity of the two settlements made during the year. Two revisions were raised prior to seeking the signatures of the Chair of the Corporation and Accounting Officer.

**The report was noted.**

**Action: Chief Financial Officer.**

14. **Audit Action Plan**

Members monitored the audit action plan. Members noted that many actions had now been completed however there remained one red action relating to the provision of information to governors on staff utilisation where action had not been implemented. Members were informed of the difficulty in obtaining this data as the College does not centrally record remission data and that this would be an extensive exercise to rectify amongst other work priorities. Following a detailed discussion members were assured that the College Principal and Chief Financial Officer meet regularly to monitor the curriculum plan and budgets. The CEO & Executive Principal confirmed that a curriculum planning model is in place but what is needed is a review of the year and whether it had gone to plan. Members noted that RSM would be reviewing this action as part of their Framework for Efficiency audit and they will be asked for best practice in the sector. The CEO & Executive Principal also offered to investigate this action further with the College Principal.

**The report was noted.**

15. **Any Other Business**

There was no other business.

16. **Date of Next Meeting**

Monday 19 November 2018, 3pm at WISE campus.

The meeting commenced at 2.55pm

The meeting closed at 4.50pm

The meeting was quorate.