



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Thursday 11 March 2021
Conducted via Microsoft Teams

Present:	Phil Eames	Corporation Member & Chair
	Sally Flett	Co-Opted Member
	Dave Merrett	Corporation Member
	Ben Short	Corporation Member
In attendance:	Rich Aitken	Head of Finance
	Kevin Hamblin	CEO & Executive Principal
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

Phil Eames reported that due to the ill health of Mike Croker, as Vice-Chair of the Audit Committee, he would be stepping in to chair today's meeting in Mike's absence.

1. **Apologies for Absence**

Apologies were received from Mike Croker and Tony Felthouse.

2. **Declarations of Interest**

As an employee at Government Internal Audit Agency Sally Flett declared an interest in agenda item 13, however, stipulated that she did not have any involvement with this audit.

3. **Auditor Concerns**

The Clerk reported that RSM and KPMG had been invited to raise any concerns ahead of the meeting and had nothing to raise.

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 16 November 2020 were approved as a correct record, ready for signing by the Chair of the meeting.

6. **Matters Arising From Those Minutes**

a) Corporation approval of the following was noted:

- i) KPMG's Letter of Engagement.
- ii) The Letter of Support to SGS Commercial Services Limited.
- iii) The 2019/20 Annual Report of the Audit Committee.
- iv) The Internal Audit Service Annual Report.
- v) The Financial Statements Auditor's Management Letter.
- vi) SGS College Members' Report and consolidated Financial Statements 2019/20, subject to changes raised at the meeting.
- vii) The Letter of representation to KPMG, subject to changes raised at the meeting.
- viii) The re-appointment of KPMG as Financial Statements Auditors for 2020/21.
- ix) No audit tenders to take place during 2020/21.

b) Actions on the Audit Committee action log were monitored and updates provided. The following were reported:

- The invite for the Assistant Principal 16-18 to attend the Audit Committee meeting had been longstanding. The CEO & Executive Principal confirmed that it had previously been clarified how SGS approaches staff utilisation in relation to the allocation of staff time versus cohort size (classes above 18 learners) in order to achieve efficiency of scale. The Clerk was asked to review previous correspondence in order to close down this action.
- Digital Strategy – the Group IT Director is working with the Head of Digital and Professional Development in relation to the implementation of new systems. It was proposed that the RSM audit is delayed until post implementation. RSM offered to provide an example of a digital audit in order to help inform the audit scope. Members asked if there was anything that could be substituted in the audit plan in order to allow RSM to provide their annual assurance opinion. RSM suggested an audit of publishing compliance requirements on the College website. At this point the Group IT Director joined the meeting and his view was sought on the timeframes for the Digital Strategy audit. His view was that the audit coincided with IT work needed on the new Brunel building at WISE Campus and his preference would be to delay the audit until the summer period. Following discussion it was agreed that the audit should be carried forward to next year's audit plan in order for it to be meaningful and allow IT resource to focus on operational priorities. It was agreed that the Chief Financial Officer should discuss a replacement audit on this year's audit plan with the College Principal and inform the Chair of the Audit Committee.
- The Chief Financial Officer reported a reduction of £500 in the final KPMG fees covering the additional auditing requirements due to new

OfS requirements. The fee for the 2020/21 audit has been negotiated at £36k which includes the regulatory audit and Teachers' Pension return review with SGSCSL fee being an additional £10,500.

It was resolved:

To recommend Corporation approval of KPMG's fee of £36k for the 2020/21 external audit.

**Action: RSM.
Clerk.
Chief Financial Officer.**

The Chair informed that he would be rearranging the order of the agenda to allow the Head of Finance to temporarily leave the meeting.

7. **Counter-Fraud report (agenda item 11)**

The Head of Finance reported that the Post-16 Audit Code of Practice required the production of a Counter-Fraud Strategy, which had been developed and approved by the Corporation in 2019. This had led to the production of fraud risk assessments and the need for counter-fraud training. RSM had completed a counter-fraud audit earlier in the year and this audit had been useful as an input to this report and required documentation.

Anti-Bribery, Anti-Corruption and Anti-Fraud Policy - Changes were presented to the policy, which had also incorporated feedback from the RSM audit. One of the key recommendations was to remove the Fraud Response Plan from the policy into a separate document with limited access to certain individuals. Members questioned whether there should be some contingency in the Internal Audit annual plan to reflect that the auditors may be called upon to undertake fraud investigations. RSM confirmed that they have a separate fraud team and any such investigation would be classed as a separate service. When asked, confirmation was received that the College would have funds available if an investigation was ever needed.

Fraud Response Plan - Members concurred that the Fraud Response Plan should be treated as a confidential document and that the internal and external auditors should be made aware of this plan after it has been approved by the Corporation. Members suggested that section 8.3 is updated to reflect that, for expediency, it should be delegated to the Chair of the Audit Committee, rather than the Audit Committee, to consider whether a special investigation is to be commissioned and then reported to the Audit Committee at the first opportunity.

Counter-Fraud Strategy - Members were informed that the counter-fraud strategy had been updated to reflect the latest Post-16 Audit Code of Practice and a table top exercise of the counter-fraud plan is scheduled for the summer. Members noted the addition of the anti-fraud checklist from the Code into the strategy and suggested it would be helpful to see the College's responses to these questions at a future meeting.

The Clerk noted that the strategy suggests that the counter-fraud action plan is presented to the Audit Committee and the Corporation and questioned the need for its presentation to the Corporation as operational. RSM concurred that the action plan is not usually presented to Corporation, however any issues are escalated. The Head of Finance confirmed that any significant risks are raised with the Corporation and agreed that there was no need for them to also receive the action plan.

Fraud Risk Assessment and Fraud Action Plan - Following a fraud risk assessment there had been 100% return and was used as the basis to develop the fraud action plan. Members raised that there were many areas awaiting a response from the Vice Principal and it was confirmed that a commitment had been made to review the actions at the end of this month. Without seeing the risk assessments, members struggled to understand the context of the actions on the action plan, however, they were assured that the process had been undertaken and an action plan produced. It was suggested that the detail of one risk assessment is shared with the Audit Committee as an example.

Members also raised that there was nothing on the action plan relating to the accounts payable area and creditor's payments as these were high risk areas. The Head of Finance advised that audits are undertaken on the controls in place for finance processes and that the fraud risk assessment was not designed for Finance Department control. However, confirmation was received that a fraud risk assessment had been carried out in the Finance Department. Members also raised that fraud can occur around changes in supplier details and the Head of Finance confirmed that this is covered in the financial procedures and annual audit. It was suggested that the accounts payable area is to be specifically included in the risk assessments.

Members discussed the review frequency of the action plan and the Head of Finance reported that risk assessments will take place on an annual basis. It was agreed that the action plan should be reported to the Audit Committee annually as part of the fraud register reporting agenda item.

Counter-Fraud awareness training – Mandatory training for all staff was launched at the end of February and there has been a good uptake and positive feedback received so far. Further extended training has been developed aimed at those staff in positions to influence fraud prevention controls, governors being one of these groups. The Head of Finance and Clerk were asked to liaise in relation of roll out of the training to governors.

Counter-Fraud Champion – In the absence of the Chief Financial Officer the College Principal previously covered this role. However with the Chief Financial Officer's return to work she is now the designated Counter-Fraud Champion.

Members questioned whether the actions in RSM's Counter-Fraud audit have been taken on board and confirmation was received that there is a commitment to complete the management actions by the end of March 2021.

The report was noted and it was resolved:

- a) **To recommend Corporation approval of the Anti-Bribery, Anti-Corruption and Anti-Fraud Policy.**
- b) **To recommend Corporation approval of the Fraud Response Plan, subject to changes discussed.**
- c) **To recommend Corporation approval of the Counter-Fraud Strategy, subject to changes discussed.**

**Action: Head of Finance.
Head of Finance & Clerk.**

At this point the Head of Finance left the meeting and the Assistant Principal HE and Adult joined the meeting.

8. **Group IT Director (Agenda Item 7)**

The Group IT Director reported that IT risks are subject to change on a daily basis and his focus is looking at making risks more meaningful and to increase staff communication of the risks to help their understanding of why IT changes are needed. He has been fortunate to receive investment to improve security through IT infrastructure changes. Cyber Essentials changes have made more of an impact on College systems and there is a need to assist staff understanding of the need for IT changes.

When asked about any concerns the Group IT Director advised that the end user risk remains an ongoing concern as no matter how much training is provided there are always new IT risks arising. User perception of IT security is also of concern and of the need to balance staff understanding and user satisfaction. Members also raised that the College has a young audience to contend with and the College's IT processes and cyber risks appear to be robust. Members raised that the IT department is doing a good job and that their efforts are appreciated.

The impacts of cyber-attacks was raised by members and of the need to ensure that everyone is aware of the risks of not managing this area properly. The Group IT Director reported that there had been some recent attacks in other institutions, especially aimed at Microsoft products. Members questioned whether educational institutions are being targeted or whether they are weaker. Members raised that cyber risks are well known and if the College is Cyber Essentials accredited this is positive and the focus is to raise awareness of these risks at every opportunity. One member advised that having used the College email she sometimes receives emails she is unsure about and the Group IT Director asked her to raise with the IT Department. When asked, the Group IT Director confirmed that he was content with the support received within the College.

The Group IT Director left the meeting at this point.

9. Internal Audit

RSM reported on the following:

- a) Higher Education framework assignment report – RSM reported the scope of this audit, which resulted in a “Substantial assurance” opinion, with only one minor medium action raised. The Assistant Principal, HE & Adult reported that this had been the second internal audit for Higher Education and the result had been pleasing. It was unfortunate that the one action reported would not have arisen if it were not for operating during the year of Covid-19. The Assistant Principal was congratulated on the positive report and outcome. The Assistant Principal attributed the outcome of the report to members of her team and the Audit Committee asked that their congratulations and positive feedback is passed on to them.

The report was noted.

At this point the Assistant Principal, HE & Adult left the meeting and the Head of Finance re-joined the meeting during item b).

- b) Benchmarking Report 2019/20 – RSM reported that there are no major concerns in relation to management actions but is an area to monitor as during the last two years there has been an increase in comparison to the sector. However, due to the timing of the report it doesn't reflect that the College had taken swift progress to close down audit actions.

The Chief Financial Officer reported that the College focuses RSM in areas for concern in order to achieve best value for money from them and other Colleges may not take the same approach. The importance is that actions are implemented as soon as possible and although it would be good to see less high priority actions there are no areas of serious concern in relation to financial controls. It should also be recognised that the College operates at a fast pace and the findings tend to be one-offs. The CEO & Executive Principal concurred with the Chief Financial Officer's feedback and felt it would be a retrograde step to try and improve benchmark data at the expense of high risk areas.

Members endorsed this feedback and it was recognised that RSM is a large organisation and consistency of audit approach could also have an impact on the outcomes. RSM agreed that there is judgement needed in relation to audit outcomes and partner reviews are undertaken. The Committee also raised that comfort can be taken from RSM' overall annual internal audit opinion and the College's approach to maximising the use of the internal audit service was endorsed.

The report was noted.

- c) Governance and Risk Management Processes – Counter Fraud assignment report – The audit had been based on the new counter fraud

requirements placed on the sector within the Post-16 Audit Code of Practice. The audit outcome received a “Reasonable Assurance” opinion with 1 medium and 4 low actions agreed. Due to a delay in the roll out of counter fraud training RSM advised that they would carry out some testing as part of their next visit. RSM considered this audit to be a good outcome and that SGS are ahead of progress in comparison with their other clients.

The report was noted.

- d) Progress report 2020/21, including updates against the Internal Audit Protocol – RSM reported that the audits are where they are expected to be at this stage and thanks were extended to College management for their support due to remote auditing taking place. The timing of the digital strategy audit had been discussed earlier in the meeting.

Members raised that the report lacked clarity regarding the achievement of targets in relation to turnaround times and RSM agreed to introduce colour coding for future reports.

The report was noted.

Action: RSM.

10. **Risk Management (Agenda Item 8)**

The Chief Financial Officer informed that she had undertaken a thorough review of the risk registers and questions were invited. Members asked where cyber risks fit on the register and confirmation was sought, and received, that there is a separate detailed IT register. Confirmation was also received that Technological risks are included in the College risk register and the Chief Financial Officer agreed to check with the Group IT Director that there is comprehensive coverage of risks. Members raised that it is easy to apply controls to technology and that residual risks need consideration. The Chief Financial Officer confirmed that these are considered and agreed to ensure that this is made clear in the risk register. Ben Short advised that, as a critical friend, he had started discussions with the Group IT Director about IT risks and he will follow up his initial contact.

Members suggested that there should be an overarching cyber risk on the register with other related risks summarised underneath this main risk. It was raised that cyber risk is an Information Technology risk. It was agreed that the Chief Financial Officer should give this further consideration alongside the earlier presentation from RSM in relation to risk appetite.

Members were appreciative of the hard work and enhancements made to the risk register and the Chief Financial Officer was thanked.

The risk registers were noted.

**Action: Chief Financial Officer.
Ben Short.**

11. **Financial Policies (Agenda Item 10)**

Members received revisions to the following financial policies:

- a) Anti-Money Laundering Policy – Where possible the College is moving towards a cashless organisation but there is a need to recognise that some learners bring cash into College and therefore a cash receipt limit of £1,000 is to be introduced. Members noted an inconsistency in paragraph 7.1.3 of the policy in that reference to payment of cash needs to reflect the £1,000 limit. The Chief Financial Officer agreed to update the policy accordingly.
- b) Declaration of Interests Policy – Minor revisions were presented but overall this policy continued to be fit for purpose.
- c) Treasury Management Policy – Although there is a need for this policy there are not huge cash balances and the policy has been updated to reflect the latest Chartered Institute of Public Finance and Accountancy, Treasury Management in the Code of Practice 2017. The policy has also removed all duplication to become more streamlined. The Chair raised that Corporation had previously discussed ethical investments and monitoring requirements and the need to incorporate specific wording within this policy was agreed. The Chair asked whether this additional wording had been included. The Chief Financial Officer agreed to double check the policy and include if necessary. Members questioned how ethical investments are monitored. The Chief Financial Officer reported that the College already requests policies to be provided for those companies used and this can be referenced in the policy. It was reported that the sector is not regulated on how to define socially responsible investments.

It was resolved:

- a) **To recommend Corporation approval of the Anti-Money Laundering Policy, subject to changes agreed at the meeting.**
- b) **To recommend Corporation approval of the Declaration of Interests Policy.**
- c) **To recommend Corporation approval of the Treasury Management policy, subject to changes agreed at the meeting.**

12. **Gifts & Hospitality Register and Fraud Register and Whistleblowing Update**

Members noted that there were no entries on the registers and the Clerk confirmed that there were no whistleblowing instances to report.

The registers were noted.

13. **Article 127 Audit**

Members were informed that this had been an audit of the Department for Education as they use apprenticeship funding as match funding for ESF. The sample selected included some SGS learners from 2015/16 and 2016/17.

The ESFA have confirmed that there were no issues identified during the testing and no further action is required.

The report was noted.

14. **Audit Action Plan**

The Chair asked that members were updated on those actions showing as “red” on the action log. The following was reported:

- Key financial controls cash handling and student debtors – The Head of Finance reported that there remains a lot of old debt to clear off of two systems which needs finance team resource. There is a commitment to implement a link between the Finance and Student Systems which has only recently been developed. Currently there is an in-house built link that requires manual intervention and a properly supported link is due next month. The Head of Finance agreed to update the log with the revised implementation date in order to move towards closure of this action. The Chief Financial Officer reported the aim is to clear the old debt by 31 July 2021.
- Student Experience Framework - Although there is a checklist in place the Assistant Principal 16-18 is not confident of its proper use and is not content to remove this action until there is confidence that the process is embedded. The Chair asked that the audit action plan is updated with the implementation date prior to its presentation at the next Audit Committee meeting.
- HR controls, Training & Development – As this action remained outstanding, a revised implementation date was requested. The Chief Financial Officer reported that this is a new HR process being rolled out and this action should be green by the next update.

RSM’s feedback on the audit action log was invited and it was reported that a greater level of slippage had been evidenced at other Colleges. Overall this was considered to be a reasonable position and actions will be followed up as part of their progress update audit.

The report was noted.

15. **Any Other Business**

There was no other business raised.

16. **Key messages for Corporation**

The following was raised:

- a) Cyber risk is high profile.
- b) Counter Fraud mandatory training for governors.
- c) Documents that require Corporation approval.

17. **Date of Next Meeting**

Thursday 17 June 2021, 3pm via Microsoft TEAMS.

The Chair thanked RSM and those College staff that attended the meeting and asked that the best wishes of the Audit Committee are passed onto Mike Croker.

The meeting commenced at 3.28pm
Ben Short joined the meeting at 3.31pm (during item 6b)
The meeting closed at 5.31pm
The meeting was quorate.