



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Thursday 17 September 2020
Conducted via Microsoft Teams

Present:	Mike Croker	Corporation Member (Chair)
	Sally Flett	Co-Opted Member
	Dave Merrett	Corporation Member
	Ben Short	Corporation Member
In attendance:	Rich Aitken	Head of Finance
	Laura Goodwin	RSM (Internal Audit Service)
	Kevin Hamblin	CEO & Executive Principal
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

Due to technical issues the Chair of the Audit Committee was unable to join the start of the meeting via Teams so it was agreed that Dave Merrett should open the meeting.

1. **Apologies for Absence**

Apologies were received from Phil Eames, Tony Felthouse and Jude Saunderson.

2. **Declarations of Interest**

Dave Merrett declared that he had now been appointed as a Director of SGS Commercial Services, with effect from 1 August 2020.

At this point the Chair of the Audit Committee joined the meeting and took over as Chair.

3. **Auditor Concerns**

The Chair reported that RSM and KPMG had been invited to raise any concerns before the meeting and there were no concerns 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 11 June 2020 were approved as a correct record, ready for signing by the Chair.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
- (i) The Internal Audit needs assessment, strategic plan and 2020/21 annual plan.
 - (ii) RSM's re-appointment for 2020/21.
- b) Actions on the Audit Committee action log were monitored and updates provided. RSM confirmed that the opinion classification had been included in the annual report and going forward would be included in the progress reports.

7. **Risk Management Report**

Members received the risk management annual report and the CEO & Executive Principal informed that a key risk this year has been COVID-19 and the College has done well to continue as a business. Unexpected expenditure had occurred due to the reopening of the College and it is recognised that there may be further closures this year. The Chair applauded the efforts of staff as everyone's efforts had been remarkable.

Members raised that the heading in section 6 of the Risk Management annual report required further clarification to reflect that the plan in question related to the Internal Audit Plan. Members questioned risk 15 relating to poor utilisation of the estate and whether this was a new risk relating to COVID-19. The CEO & Executive Principal explained that this referred to the space requirements in the different parts of the College which varies depending upon curriculum need. Members were informed that the College has been awarded £1m capital funding which will be spent on sustainability and technology. With a blended learning model in place this now allows student growth without increasing accommodation therefore more space will be available with similar size student cohorts. The CEO & Executive Principal agreed to update the wording of this risk. Members also suggested removing the numbering of the key risks in the annual report as these did not align with the risk registers and caused confusion.

Although there are no substantive concerns over how the College manages risks the Chair raised that the presentation of risk management reporting to governors requires further development as currently it is too detailed. The Clerk advised that the KPIs are due for review and suggested that risk management reporting is considered at the same time. Members agreed this to be a good idea.

It was reported that the College had created a COVID-19 risk register, which had now been incorporated into the main risk register and there were no red risks relating to COVID-19. Ellis Whittam, who oversees Health & Safety, has been overseeing SGS compliance with the latest DfE guidance on COVID-19 and an operating plan for re-opening the College has been developed.

Members questioned whether the risk of national cyber-attacks has been recognised sufficiently in the risk register. Members were informed that this is an area of focus for the Group IT Director and to date the College has not received any breaches or attacks. However, the CEO & Executive Principal agreed to follow up this risk with the Group IT Director.

The report was noted.

**Action: Chief Financial Officer.
CEO & Executive Principal.**

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

At this point Pat Mcleod (Assistant Principal, Apprenticeships), Ray Davies (Apprenticeship Compliance Funding and Partnership Manager), Mel Packham (Head of Projects Management - Funding and Data) were welcomed to the meeting.

The following were presented:

- a) Learner Number Systems – RSM thanked College management for their support of this audit as it was at the start of COVID-19 and one of their auditors went sick. RSM presented the background to this audit, and confirmed that the findings are in line with findings across the sector and although many actions this is symptomatic of funding audits. The Chair made reference to the update against actions circulated outside of the meeting to Audit Committee members.

Members questioned whether there is a significant financial risk to the College. RSM confirmed that there is some risk in the event of an ESFA funding audit and explained the reasons why. Members asked to what extent the management actions are practical in the context of the pandemic. Members were informed that Smart Assessor has been universally adopted which provides the ability to capture audit evidence remotely. The sign up process has been designed for face-to-face so undertaking this process remotely is harder. Members asked whether the ESFA is likely to grant any leeway with their funding audits and were informed that the ESFA would still expect to see evidence and there is no reduction in their requirements.

Members were informed that learner timetabling has been drafted and issued to senior managers and the draft audit process has been prepared but delayed with a view to commence in the autumn.

When asked, confirmation was received that the findings are similar to last year and that it takes time for learners to go through the system. The use of online systems will improve especially when the legacy students have completed. RSM suggested that future audits are

undertaken on the same learners and findings separated out into old and new learners.

The report was noted.

At this point Pat Mcleod (Assistant Principal – Apprenticeships), Ray Davies (Apprenticeship Compliance Funding and Partnership Manager), Mel Packham (Head of Projects Management - Funding and Data) were invited to leave the meeting.

- b) Financial Planning and Budgetary Control Arrangements – RSM presented the background to this audit, which resulted in a substantial assurance with 1 medium and 2 low actions. Members were informed that there were clear and robust processes that were implemented in practice. When asked about how successful remote auditing had been members were informed that it was fine. Members raised that the scope of the audit was to review the presentation of the management accounts and there had been no comments or findings in the report. RSM confirmed that analysis had been undertaken however the report is exception based but the analysis could be shared with the Committee, if needed. Members suggested that it would be helpful to see a comment in the Executive summary that everything was acceptable. RSM agreed to include in the report.

The report was noted.

Action: RSM.

- c) Follow Up – Members received the follow up report and overall a good proportion of actions had been closed down. Members questioned who decides that actions are to be superseded and were informed that this is decided between the College and RSM. Also, when asked, confirmation was received that there are no disagreements in the report.

Members also received a report on the follow up of Partial Assurance opinion reports and confirmation was received that RSM were able to evidence that risks are being addressed.

Congratulations were provided to the Head of Finance and staff.

The reports were noted.

At this point Gavin Murray (Vice Principal Performance, Standards and Effectiveness) was welcomed to the meeting.

- d) Departmental Review: Vocational Faculty – RSM presented the background to this audit, which resulted in a Reasonable Assurance with 5 medium and 5 low actions spread across all aspects of the areas audited. This is a positive outcome with findings common across the

sector. Members questioned whether 4/20 cases where a lesson observation had taken place was significant and were informed that the audit had been disrupted by the pandemic rather than it being a process issue. Members asked what the College had planned for lesson observations during remote curriculum delivery. The Vice Principal confirmed that most of the lesson observations have been completed but not written up as the pandemic struck. Deep dives have been completed and this provides confidence across the board that the standard is good enough. Revised training and shadowing is planned for observers and there is confidence that the College will be where it needs to be by year end. The plan is to risk base staff that are in need of observing. When asked, the Vice Principal confirmed that the findings are consistent with what was expected and that guidance will be issued to managers next week to focus on Teaching, Learning and Assessment.

Members discussed the four instances where purchase orders had been raised after the order date and the Head of Finance advised that there is usually a low volume of these occurring usually due to poor housekeeping. There are a few instances where payment to suppliers is breached and that can cause issues.

The report was noted.

At this point Gavin Murray (Vice Principal Performance, Standards and Effectiveness) was invited to leave the meeting.

- e) Draft 2019/20 Annual report – RSM confirmed that the organisation has an adequate and effective audit opinion, the same as last year, which is a positive overall opinion. This opinion was reflective of 80% of GFE Colleges. Reference was made to Appendix B which provided the context and the limitation of the scope. The Chair expressed his gratitude to RSM for undertaking further follow up work and to College staff for providing the evidence.

Members noted that there had been a significant impact of COVID-19 on the audit work and questioned whether there is anything to assess the impact of COVID-19. Although the impact of COVID-19 had not been fully felt on the scope of the current reviews RSM felt that this year the impact would be more apparent. Members questioned whether the risk in the audit plan had been reassessed due to COVID-19. Members were informed that this had been discussed internally and it was felt that COVID-19 has an impact on what is done rather than something in its own right. Members were informed that for some other clients RSM has been undertaking audit work on their business continuity.

The report was noted.

- f) Progress Report 2020/21 – Members received the progress report and two client briefings on the Ney review and Audit and Risk Committees - Navigating COVID-19.

The report was noted.

9. **Education and Skills Funding Agency Regularity & Propriety Questionnaire**

Members received the completed questionnaire and the Clerk explained the need for its completion. Members noted the additional Annex A to the questionnaire and questioned the meaning of PPN 02/20. RSM explained that this referred to procurement policy notice. The CEO & Executive Principal explained that during COVID-19 there was an expectation that, as Colleges are government funded, that they continue to pay their suppliers.

Reference was made to an internal audit report on sub-contracted provision and members could not recall seeing this report. RSM advised that there is a requirement for an audit on sub-contracted provision to be submitted to ESFA by 30 September. The Chair advised that the ESFA is currently undertaking work on DISE and maybe this is to what is referred. The Clerk offered to investigate this further and report back to the Audit Committee outside of the meeting.

The report was noted.

Action: Clerk to the Corporation.

10. **Waivers/Breaches of Financial Regulations**

The Head of Finance presented a report on waivers/breaches of Financial Regulations. Although breaches over £500 are to be reported, breaches below £500 when either cash or credit/prepaid cards have also been captured. When asked, confirmation was received that the purchase orders raised would have been authorised by the budget holder. The CEO & Executive Principal confirmed that when Andy Slaney left the College he was re-engaged part-time, on better terms for the College, to assist with the Brunel build as this was the most cost effective way to retain his knowledge.

The report was noted.

11. **Audit Action Plan**

Members received the audit action plan. Although there was a summary of progress it was suggested that this should be supported by some narrative against performance. The Clerk reported that many of the actions from the latest audits had been completed during the summer.

The report was noted.

12. **Post-16 Audit Code of Practice 2019/20**

The Clerk presented a report relating to the publication of the Post-16 Audit Code of Practice 2019/20 and the revisions made. Confirmation was received that having reviewed this document there are no changes required to the Audit Committee's Terms of Reference.

RSM advised that they had prepared a summary and implications of the changes, as there will be an impact on College policies and procedures, and agreed to circulate this briefing to members. Members asked RSM if there were any gaps in the College's arrangements and confirmation was received that there was not however there is a genuine risk of non-compliance due to its late publication but there is nothing relating to the operation of the Audit Committee which is of concern.

The report was noted.

Action: RSM

At this point Louise Tweedie and Laura Goodwin were invited to leave the meeting.

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

Confidential Item.

14. **Any Other Business**

There was no other business raised.

15. **Key messages for the Corporation**

The Chair asked the Committee for the key messages that need to be fed back to the Corporation. The following were raised:

- Positive Internal Audit Service annual report covering 2019/20, which is a positive reflection on SGS.
- Risk management report presented but further development required on reporting presentation.
- The Committee are recommending the deferment of tendering for Internal Audit Service due to current challenges, subject to the view of the Chief Financial Officer.

16. **Date of Next Meeting**

Thursday 16 November 2020, 3pm, via Microsoft TEAMS.

The meeting commenced at 3.12pm
Louise Tweedie and Laura Goodwin left the meeting at 4.40pm (after item 12)
The meeting closed at 4.50pm
The meeting was quorate.