



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

**AUDIT COMMITTEE**

Approved minutes of a meeting  
Held on Monday 16 November 2020  
Conducted via Microsoft Teams

<b>Present:</b>	Mike Croker	Corporation Member (Chair)
	Phil Eames	Corporation Member
	Dave Merrett	Corporation Member
	Ben Short	Corporation Member
<b>In attendance:</b>	Rich Aitken	Head of Finance
	Tony Felthouse	KPMG (Financial Statements Auditors)
	Kevin Hamblin	CEO & Executive Principal
	Duncan Laird	KPMG (Financial Statements Auditors)
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	RSM (Internal Audit Service)
	Sharon Glover	Clerk

The Chair opened the meeting by welcoming Duncan Laird from KPMG.

1. **Apologies for Absence**

Apologies were received from Sally Flett.

2. **Declarations of Interest**

There were no declarations of interest raised.

3. **Auditor Concerns**

The Chair reported that RSM and KPMG had been invited to raise any concerns ahead of 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 17 September 2020 were approved as a correct record, ready for signing by the Chair.

6. **Matters Arising From Those Minutes**

Actions on the Audit Committee action log were monitored and updates provided.

The Chief Financial Officer reported that there was an update on cyber security in the report for agenda item 7 and the Group IT Director will be invited to the next meeting to provide a general update and take questions.

The Clerk informed that she had investigated whether there is a sub-contracting audit planned and reported that the ESFA DISE audit was a term which had been incorrectly used for the sub-contracting audit as ESFA DISE does not fall into the ESFA definition for sub-contracting audits. The Article 127 audit is a separate audit driven by the ESFA for the purposes of confirming ESF match funding. The College does not have the right to see the outcome of this report as it is written for the benefit of the ESFA. However, if there are any concerns the ESFA will raise with the College.

The Chair advised that Corporation members have been invited to a training session on changes to the format of the management accounts and the Head of Finance was asked the significance of these changes. The Head of Finance reported that the changes are minor due to a new automated preparation of the management accounts and he has now established that there will be no changes to the format received by the Corporation.

7. **College returns and Assurance processes**

The Committee received a report providing a schedule of key college returns and an update on cyber-attacks. Confirmation was received that there are no issues arising from any of the returns.

It was reported that from 2021 the financial returns are changing and the committee was informed of examples of some of these changes. Members raised that the table appended was lengthy and questioned whether monthly reporting was necessary. Following discussion it was agreed to report on the mid-year forecast return and year end return. Due to Brexit, members questioned the situation about European Social Funding and the outcomes were not known at this stage.

**The report was noted.**

8. **Internal Audit**

- a) Internal Audit Service's 2019/20 Annual report – When asked, RSM confirmed that the final report was as presented at the last meeting.

**It was resolved:**

**To recommend Corporation approval of the Internal Audit Service's 2019/20 Annual report.**

- b) Progress Report – Members received a progress report and were informed that the HR audit has now been completed with further audits planned for January and March. Also received were various client briefings. Members were informed that the ESFA intend to issue further guidance relating to risk appetite. In relation to the client briefing about navigating COVID-19 RSM was asked if there are any specific actions for the Audit Committee. RSM advised that the briefing covers how internal controls have changed and these will be tested for the whole of the academic year. Some Colleges have dramatically changed governance arrangements and convened emergency groups however, normal governance processes should be operated. There has been significant IT implications and pressures on systems should be monitored. Members raised that the digital strategy forms part of the audit plan and RSM advised that this related to curriculum delivery but it may prove of value to consider the key core IT controls. This will be considered as part of the scoping discussions with outcomes shared with the Audit Committee.

**The report was noted.**

**Action: RSM.**

## 9. Financial Statements Audit

- a) KPMG's Letter of Engagement – KPMG apologised for the delay in production of their engagement letter due to agreeing clauses with the ESFA. Members were informed of minor updates to reflect OfS requirements and there is nothing of substance to report. When asked, the Chief Financial Officer confirmed her satisfaction with the letter. Clarity was sought and received in relation to the liability cap. When asked, KPMG confirmed that there had been engagement with the internal audit service however the financial systems audits had been completed by KPMG. Members raised reference to the Redmond review of local authority financial reporting and external audit and questioned whether there is anything similar for the Further Education sector. KPMG confirmed that nothing has been raised by the ESFA.

**It was resolved:**

**To recommend Corporation approval of KPMG's letter of engagement.**

- b) SGSCSL Report and Financial Statements 2019/20, Letter of Representation and Letter of Support for SGSCSL – The Chief Financial Officer reported that it had been a stable year with nothing unusual in the accounts. The subsidiary company had achieved over £1k surplus against costs, however, due to the pandemic the valuation of the site had decreased. Members were informed that, as with last year, there will be a need again this year to approach SGS Corporation for a letter of support for the next 12 months.

**The SGSCSL Report and Financial Statements 2019/20, Letter of Representation and Letter of Support for SGSCSL were noted.**

- c) July Management Accounts - Members were informed of adjustments in the management accounts that don't affect the College's financial health and good financial health is retained. Members raised the adverse difference in the outturn in the October management accounts against forecast in July and the reasons for the differences were explained. Members commented that this was a good outcome.

**The report was noted.**

- d) KPMG's letter re: Pensions – Members received a letter from KPMG to the Teachers' Pensions Agency reporting on agreed procedures in respect of the Teachers' Pension End of Year Certificate for the year ended 31 March 2020. KPMG confirmed that there are no issues to report. Members questioned whether the certificate should be signed by the CEO & Executive Principal, as Accounting Officer, or the Chief Financial Officer. The Chief Financial Officer confirmed that she had agreed that the certificate could be signed by the College's Pay and Benefits Analyst but that in future she would sign.

**The letter was noted.**

- e) Draft SGS Report and consolidated Financial Statements 2019/20 Members were informed that, due to the impact of COVID-19, there are more disclosures included this year relating to going concern. The Chair noted that because of the unavailability of hard copy accounts he had not yet reviewed the accounts in as much detail as usual. Following review and challenge non-material changes were raised, including an adjustment to the loan disclosure note, together with areas for further scrutiny. When asked for confirmation of the satisfaction with the disclosures for Senior Post Holder's remuneration the Chief Financial Officer asked that she takes an action to review in detail. KPMG also suggested that remuneration rationale is reviewed against OfS guidance. Members discussed Access and Participation activity and KPMG advised that they have evidenced different approaches taken to address this requirement due to varying interpretations of the guidance. Going forward there should be greater clarity. The Chief Financial Officer agreed to check further with the College Principal.

**It was resolved:**

**To recommend Corporation approval of the Report and consolidated Financial Statements 2019/20, subject to changes discussed and that no material changes are made, with final oversight by the Chair of the Audit Committee.**

**Action: Chief Financial Officer.**

- f) Financial Statements Auditors' Management Letter – KPMG presented the Management Letter and their summary of findings and areas in progress. Due to the impact of COVID-19 members were informed that there had been more work undertaken to challenge the basis of going concern. Members were informed that regularity work will be concluded in the next few days with no concerns expected. There has been a late change announced by the Office for Students but no issues have been identified on Access and Participation. In relation to the LGPS pensions risks there is overall satisfaction with the assumptions. Due to the significant investment property within SGS Commercial Services work has now been concluded and there is comfort with the assumptions made.

KPMG presented a slide of the overall assessment of assumptions for FRS 102 and advised that this slide will be included within the updated Management Letter to Corporation. Members were informed that overall this was a balanced assessment with only one assessment falling outside of KPMG's recommended range. Members were assured that there was nothing of concern and this hadn't destabilised the other assessment outcomes.

The audit has resulted in 4 recommendations and 1 from the prior year and no concerns were raised. The prior year recommendation is a timing issue with a solution impending so it is hoped that this action will not arise next year. Members were informed of one small balance sheet adjustment but overall this audit has a positive outcome.

Members questioned whether there were more areas in progress at this time of year compared to previous audits. KPMG advised that this list was not significantly longer than for other Colleges at this point in time. Some areas took longer this year but KPMG are close to finishing and there are no major concerns. The Management Letter will be updated prior to presentation to Corporation.

Members questioned whether the ESFA's final reconciliation statement would be available on time and the implications should there be any delays. Members were informed that the financial statements can still be approved by the Corporation and there is no reason that the ESFA reconciliation will be different, it's just that KPMG will not sign off the accounts until this reconciliation has been received.

KPMG extended their thanks to the Chief Financial Officer, Head of Finance and the Finance Team for their support. The Committee echoed these thanks and also thanked KPMG.

**It was resolved:**

**To recommend Corporation approval of the Management Letter, subject to the final updates discussed at the meeting.**

- g) Letter of Representation - The Chair suggested that as the Corporation has a new Chair he was unsure whether he would want any further assurances before he put his name to the letter. KPMG advised that assurances will derive from College management. The Clerk offered to share the letter with the Chair of the Corporation in advance of its presentation to Corporation for approval.

**It was resolved:**

**To recommend Corporation approval of the Letter of Representation for signing by the Chair of the Corporation.**

**Action: Clerk.**

10. **Audit Committee Annual Report to the Corporation and the CEO & Executive Principal**

Members received the draft report and questions were invited and none raised. Confirmation was sought and received that members were in agreement with the conclusions in the report.

**It was resolved:**

**To recommend Corporation approval of the Audit Committee Annual Report to the Corporation and the Group Chief Executive Officer & Executive Principal.**

11. **2019/20 Bad debt write off**

The Head of Finance reported a bad debt write-off of £547.64 for 2019/20. Appended to the report were specific debts written off on a case by case basis. Members asked whether there are any Higher Education fees leading to a write off. The Chief Financial Officer advised that this had been an unusual year and is expecting to see an increase in bad debt next year.

**The report was noted.**

12. **Audit Action Plan**

Members received the audit action plan and summary of progress. Members were informed that many apprenticeship actions had been cleared with some actions not being a priority as staff had not been in College for the whole of the year resulting in some slippage on dates. Members were confused by the summary information between September and November. The Chief Financial Officer confirmed that the November data is accurate but there was uncertainty with the September data and agreed to review if required by the Audit Committee. It was agreed not to revisit the September data providing the November data was accurate.

**The report was noted.**

13. **Risk Management**

Members were informed that this item is to be carried forward and risk management reporting will form part of the KPI review in the New Year.

*At this point Louise Tweedie (RSM) was invited to leave the meeting.*

14. **Appointment of Financial Statements Auditor and re-tendering of Internal Audit Service and Financial Statements Auditors**

Confidential Item.

15. **Any Other Business**

There was no other business raised.

16. **Key messages for Corporation**

The Chair suggested that the key messages are the recommendations in the minutes that need to be presented to Corporation for approval.

The Chief Financial Officer and Head of Finance were congratulated on the successful outcome of the audits.

17. **Date of Next Meeting**

Thursday 11 March 2021, 3pm via Microsoft TEAMS.

The meeting commenced at 3.32pm

Louise Tweedie left the meeting at 5.01pm (after item 13)

Tony Felthouse and Duncan Laird left the meeting at 5.07pm (during item 14)

The meeting closed at 5.19pm

The meeting was quorate.