



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Monday 15 November 2021
In the Brunel Centre Board Room, WISE Campus.

Present:	Mike Croker	Corporation Member & Chair
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member (Via Teams)
	Dave Merrett	Corporation Member
In attendance:	Rich Aitken	Head of Finance (Via Teams)
	Jonathan Brown	KPMG (Financial Statements Auditor)
	Tony Felthouse	KPMG (Financial Statements Auditor)
	Karen Gentles	RSM (Internal Audit Service) (Via Teams)
	Kevin Hamblin	CEO & Executive Principal
	Jude Saunderson	Chief Financial Officer
	Sharon Glover	Clerk

The Chair opened the meeting by welcoming those present to the first face-to-face meeting during the pandemic. Rich Aitken, Sally Flett and Karen Gentles joined the meeting via Teams. All other meeting attendees were present in the Board Room.

1. **Apologies for Absence**

Ben Short did not attend the meeting.

2. **Declarations of Interest**

There were no declarations of interest raised.

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 21 September 2021 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) KPMG's additional audit fees.

- b) Actions on the Audit Committee action log were monitored. Discussions ensued in relation to the OfS review and whether a follow up audit by RSM was needed. The Chief Financial Officer advised that it was not clear when OfS plan a return to follow up on their audit, if at all, and the College was undertaking its own internal audit with outcomes reported back to her. Members agreed that there should be no audit by RSM in January, unless the outcome of the internal College audit suggests otherwise. This is to be determined between the Chief Financial Officer and RSM and reported back to the Audit Committee. If no further auditing requirements identified, the Audit Committee asked that RSM's follow up work is extended to include the work undertaken to address the OfS audit actions in order to provide sufficient assurance to the Audit Committee.

In relation to the timing of the DISE sub-contracting audit, the Chief Financial Officer confirmed that there were no auditing requirements for 2020/21. However, the 2021/22 provision needs a statement by 31/7/22 and the Chief Financial Officer is liaising with the Assistant Principal Apprenticeships in this respect.

The Chair invited feedback on the scope of the work/coverage provided by the Audit Committee and it was agreed that there is a robust agenda but to keep this open in case other areas of risk need the Committee's review.

The Chief Financial Officer confirmed that the anti-cyber control audit will take place this academic year but the date of the audit is to be determined.

Action: Chief Financial Officer.

7. **Risk Management Report**

The Chief Financial Officer presented the report and raised a new risk on the register for SGSCSL relating to electricity supply. Confirmation was received that the College would be re-tendering for electricity in March and supply costs will be mitigated through the tenants' service charges.

Attention was drawn to the risk to the College of not meeting its adult provision and many options are being investigated, with the risk mitigated in the financial reforecast. Staff recruitment was also an issue, as reported to Corporation by the Principal. The College is taking actions to simplify internal processes in order that more staff can provide cover across the organisation. Of particular concern is the lack of learner support staff and the risk of not

providing learner support at a time when there are higher levels of learners that require this additional support. Reference was made to the availability of the full risk registers in the document library on Convene.

The report was noted.

8. **Internal Audit**

RSM presented the following reports:-

- a) Internal Audit Service's 2020/21 Annual report –RSM confirmed that there have been no changes following presentation of the draft report at the last meeting, and a positive Amber/Green opinion has been provided.

It was resolved:

To recommend Corporation approval of the Internal Audit Service's 2020/21 Annual Report.

- b) Progress Report 2021/22 and Client Briefings – RSM confirmed that 2021/22 audit work has commenced. When asked, confirmation was received that there were no significant issues raised from the SGSCSL review. Members questioned whether there are any issues finalising this report due to the delays in timings. Members were assured that delays were due to half term and auditors on study leave.

Members also received client briefings. It was noted that a good practice for inclusion in the management accounts was planned/actual capital expenditure. The Chief Financial Office confirmed that the Head of Finance has an action to add this to the Management Accounts. Contribution analysis is also being looked into as a further addition to the Management Accounts.

The report was noted.

9. **SGS College Members' Report and consolidated Financial Statements**

The Chair informed members that he would be altering the order of this agenda item.

- a) Financial Statements Auditors' Management Letter – KPMG presented their Management Letter and referred to the outstanding actions, some of which had now been completed. Members were informed that the investment property valuation is awaited. ESFA has reconciled £270k in the College's favour on apprenticeship income. Although this is below materiality the Chief Financial Officer advised that this difference is being investigated. When asked, confirmation was received that this would not affect the sign off of the accounts. KPMG presented the significant audit risks and confirmed that no issues are anticipated in relation to going concern. There is one corrected

misstatement, which is not of concern and an explanation was provided. Overall, this had been a smooth audit and thanks were extended to the Head of Finance and his team.

Members asked if the additional testing of student numbers had gone well and, although it had, the Chief Financial Officer raised that the timing for this audit needs review next year.

When asked, KPMG confirmed that there were no issues to raise re: OfS considerations.

Members were informed that the Management Letter will be updated to account for the apprenticeship reconciliation and list of outstanding items, ahead of its presentation to Corporation for approval.

The Chair thanked KPMG and congratulated College staff for a well organised audit.

- b) Draft SGS Report and consolidated Financial Statements 2020/21 – Following scrutiny, various changes and points for clarification were raised. It was noted that the incomplete disclosure regarding senior staff pay was an inadvertent error. Inconsistencies between the Financial Statements and the Remuneration Annual Report were raised. Members were informed that this related to different reporting periods and the Chief Financial Officer agreed to investigate further.
- c) SGSCSL Report and Financial Statements 2020/21, Letter of Representation and Letter of Support for SGSCSL – The Chief Financial Officer reported that the company has a surplus due to the We-Link lease surrender. Although there is some cash it is mainly a balance sheet adjustment. There has also been an increase in the property valuation. Although the company now has net assets, there is also current liabilities so a Letter of Support from the College is again required to satisfy going concern.
- d) The reconciliation of the Financial Statements to the July Management Accounts was noted. The Chief Financial Officer reported the only adjustment is the pension provision. Meetings have been held with the actuaries as the next valuation is due 31/3/22. The government had previously funded increases in pensions for the Further Education sector but didn't for the Higher Education sector.
- e) KPMG's letter re: Pensions was noted.
- f) Letter of Representation – It was reported that there was nothing new in the Letter of Representation. Members were informed that Appendix B will be updated to include the change in Apprenticeship funding, as discussed earlier in the meeting. When asked, the CEO & Executive Principal and Chief Financial Officer were content with the Letter of Representation.

It was resolved:

- a) **To recommend Corporation approval of KPMG's Management Letter, subject to changes discussed.**
- b) **To recommend Corporation approval of the Report and consolidated Financial Statements 2020/21, subject to changes discussed, with final oversight by the Chair of the Audit Committee.**
- c) **To note SGSCSL Report and Financial Statements 2020/21, Letter of Representation and Letter of Support for SGSCSL.**
- d) **To recommend Corporation approval of the Letter of Representation, subject to changes discussed.**

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

Members reviewed the draft report and minor revisions were raised.

It was resolved:

To recommend Corporation approval of the Audit Committee Annual Report to the Corporation and the Group Chief Executive Officer & Executive Principal, subject to changes raised.

11. **College returns and Assurance processes**

The Committee received a report outlining the key returns required during the year and assurance processes in place. Confirmation was received that, following RSM's nugget training presentation on funding streams, this was considered when preparing the report, as requested by the Audit Committee. WECA is a separate return but has now been added to the College Data Returns Log.

Members noted that some of the returns were late and one was marked Not Applicable and questioned the reasons for this. The Chief Financial Officer agreed to investigate and report back. Members asked whether the ESFA run their own data validation. Members were informed that the software provided by the ESFA provides validation and it was uncertain what happens to it but the College has never had any comeback.

Members asked whether the ESFA were satisfied with the College's financial plan and confirmation was received that, subject to a point of clarification, ESFA were content with the plan.

Members asked whether the College would be receiving an annual strategic conversation with the ESFA and members were informed that a meeting had been scheduled for 25 November 2022.

The report was noted.

Action: Chief Financial Officer.

12. **2020/21 Bad debt write off**

The Head of Finance reported a bad debt write-off of £6330.08 for 2020/21. Appended to the report were specific debts written off on a case by case basis. Members were informed that the majority of the debt relates to 2017/18 and older. The Head of Finance reported that he is leading work on analysing the system student debt and early analysis suggests it relates to withdrawn students. It was suggested that a report is presented at the next meeting covering a proposal for dealing with the bad debt. Members requested that the report contains feedback on the debt collection agency and how processes are working.

Following review of the bad debt write off members questioned whether the incident of an alleged forged apprenticeship student signature is technically a fraud situation. The Chief Financial Officer and Head of Finance agreed to investigate further, however, it was acknowledged that the amount written off was low in value. Also raised was whether this was an issue for their employer and subject to the company's own disciplinary procedures.

Members questioned whether systems also flag in advance potential bad debt and confirmation was received that an analysis report is produced. The Chief Financial Officer offered to see if student debt analysis could be included in the Management Accounts.

The report was noted.

Action: Chief Financial Officer & Head of Finance.

13. **Audit Action Plan**

The Chief Financial Officer reported that there remains one outstanding action in the audit action plan from last year and informed that this is being worked on. When asked, KPMG confirmed that there was nothing adverse arising from their audit.

The report was noted.

14. **Fraud Response Plan**

The Head of Finance presented revisions to the Fraud Response Plan. A minor revision was raised by the Clerk.

It was resolved:

To recommend Corporation approval of the Fraud Response Plan, subject to the one change raised.

15. **Audit Committee Training and Development**

In light of changes to the Audit Committee's Terms of Reference, due to the latest Post-16 Audit Code of Practice, the Clerk invited members to consider

its membership and determine whether there are any gaps in existing skillset and any further Training and Development needs.

The Chair suggested that individual members consider their own training needs and raise with the Clerk. Members suggested whether there should be benchmarking with other Audit Committee Chairs and whether there were any forums to facilitate this. Members asked whether the AoC had something of this nature in place or the auditors. KPMG mentioned that they have a Board Leadership Centre and could look to facilitate something of this nature. The Chair advised that he would be happy to be involved if taken forward by KPMG.

At this point the Internal and External Auditors were invited to leave the meeting.

16. **Re-rendering of Financial Statements Auditor**

Confidential Item.

17. **Any Other Business**

In light of the Audit Committee's additional responsibilities for oversight of data breaches and GDPR issues the Corporation has asked for the Audit Committee's Terms of Reference to be expanded so that the Committee considers the GDPR & Freedom of Information Act report and the SGS Freedom of Information (including the Model Publication Scheme) and the SGS Data Privacy and Protection Policies for recommendation to Corporation for approval.

18. **Key messages for Corporation**

The Chair suggested that the key messages are:

- a) The recommendations in the minutes that need to be presented to Corporation for approval.
- b) Bad debt of £6330.08 written off for 2020/21.

19. **Date of Next Meeting**

Thursday 5 April 2022, 3pm, via Microsoft Teams.

The meeting commenced at 3.05pm

Jonathan Brown, Tony Felthouse and Karen left the meeting at 4.34pm (after item 15)

Jude Saunderson left the meeting at 4.42pm (during item 16)

The meeting closed at 4.48pm

The meeting was quorate.