



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Thursday 30 March 2023
Via Microsoft Teams

Present:	Mike Croker	Corporation Member & Chair
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Dave Merrett	Corporation Member
	Irene Molodtsov	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

The Chair opened the meeting by welcoming Irene Molodtsov to her first meeting of the Audit Committee.

1. **Apologies for Absence**

Apologies were received from Nathan Coughlin and Sophie Green.

2. **Declarations of Interest**

In relation to item 14, Mike Croker declared that during 2014-2016 he spent 20 months working for RSM. Although not relevant to his participation in the interview panel, in the interests of openness and transparency he wanted this declared.

3. **Auditor Concerns**

The Chair reported that RSM and Bishop Fleming 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 but the Chair reported that he would be raising an item under AoB.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 14 November 2022 were approved as a correct record, subject to one change raised by the Chair under minute 10a in that reference to ESFA and WECA audits should be deleted.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
- (i) 2021/22 Annual Report of the Audit Committee, including the annual risk management report;
 - (ii) Letter of Support to SGSCSL;
 - (iii) 2021/22 Internal Audit Service Annual Report;
 - (iv) Financial Statement Auditor's Management Letter;
 - (v) SGS College Annual Report and consolidated Financial Statements 2021/22, for signing by the Chair of the Corporation and Group CEO & Executive Principal/Accounting Officer, subject to changes discussed at the Corporation meeting.

Members were informed that the end of year accounts have not yet been signed due to a delay with the WECA and ESFA funding audits. The Chief Financial Officer reported that the ESFA has granted an extension until the end of April. Due to company law requirements the SGSCSL end of year accounts need to be filed by 30 April and assurance has been provided by Bishop Fleming that they will sign them off in order to achieve this deadline. The Chair asked if Bishop Fleming will be charging additional fees as additional work required due to delays caused by WECA and ESFA. Members were informed that there wasn't a great deal of additional work involved i.e. review of minutes, already sent by the Clerk, and updated going concern review. When asked by the Clerk if the going concern review needed to be re-presented to Corporation, confirmation was provided that it was for auditor's purpose only.

- (vi) Annual Report of the Remuneration Committee;
 - (vii) Letter of representation to Bishop Fleming.
- b) Audit Committee action log – The action log was monitored and confirmation received that all actions had been completed. The Head of Finance confirmed that the majority of the debt sits with the debt collection agency whose relationship is being closely managed by the College. There is a proportion of debt that may go down the legal route and the Head of Finance will be discussing this further with the Chief Financial Officer.

At this point, Sara-Jane Watkins (College Principal) was welcomed to the meeting.

7. **WECA Funding Audit**

Members received information relating to the conclusion of the WECA funding audit and the College's action plan. The Principal advised that the Corporation is fully aware of the challenges faced with the differing rules between combined authorities. The WECA income is small in comparison to the total College income and a disproportionate amount of time is spent dealing with this type of funding. Members were informed that a small claw back of under 1% is expected and a detailed action plan is in place. The Chief Financial Officer advised that a mitigation case had been fully supported on the year-end position and would be offset against next year's allocation. Other WECA Colleges are also facing the same challenges and the Principals are working with WECA to review funding rules. This is a very complex area with changing goal posts faced. When asked, confirmation was received that apart from lobbying WECA and MPs there wasn't much else that could be done. Members were informed that further funding will be funnelled to WECA so it will be in the College's interest to work collaboratively with them. It was reported that no other combined authority has experienced these issues and a reduction in adults, due to the bureaucracy involved, has been evidenced.

In relation to the ESFA audit, all evidence has been supplied and no comeback is expected.

The report was noted.

At this point the College Principal left the meeting.

8. **Risk Management Report**

The Chief Financial Officer presented the quarterly risk tracker for SGS and SGSCSL with the full risk registers available in the document library on Convene. Members were informed of an increase in risks on both registers and the reasons for these. Following review of the full risk register, the Chair raised that he thought the impact of poor quality of teaching and learning would have been higher and the Chief Financial Officer agreed to review.

Members were informed that increased risks on the SGSCSL risk register were as a result of reduced tenancy and Dave Merrett, Chair of SGSCSL, advised that it is financially difficult for some tenants leasing the smaller units on site. The CEO & Executive Principal advised that future leasing considerations will depend upon the strategic direction of the site. The Chief Financial Officer confirmed that risks relating to the future of the subsidiary company are included in the College's risk register, especially as the ONS reclassification has had an impact on the future strategy for the Berkeley campus and the Group structure. Following discussions at the March Corporation meeting, the Chief Financial Officer confirmed that the risk registers will be reviewed to reflect the outcome of discussions, but noted that they were up to date at the time papers were despatched to the Audit Committee.

When asked, the Chief Financial Officer reported that she is not comfortable with the slippage on actions and that the same risks remain significant but the reasons behind these risks may have changed. Time is spent reviewing the risk registers and assurance was provided that further thought would be given to the presentation of these risks.

The report was noted.

Action: Chief Financial Officer.

9. **Internal Audit**

RSM presented the following:

- a) Benchmarking Report 2021/22 – Members were informed that SGS was slightly better than sector averages. Members discussed trend analysis and questioned whether SGS was getting better or worse than other Colleges. RSM advised that it depended upon the areas being audited. With a reduction in High/Medium recommendations this suggests an improvement in the control environment. Generally, cyber security and apprenticeships tend to negatively impact on outcomes so it is dependent upon topics being audited.

The report was noted.

- b) Framework for Compliance with Legal and Regulatory Requirements: Prevent Duty and preparation for possible Protect Duty – Members were informed that the audit had been based on current Prevent arrangements as the Prevent guidance is due to be updated by government. The outcome of the audit resulted in “substantial” assurance with 1 medium and 1 low actions agreed. Members were informed that freedom of speech is raising requirements resulting in the need for future process changes to reflect the changing environment. The Chair advised that improvements were needed for governor training in Prevent and that this had been picked up by the Corporation and reminders issued.

The report was noted.

- c) Departmental review arrangements – Creative – Stroud Art – Members were informed that the report was not available for the meeting and would be carried forward. Members were informed that RSM are working with College management to finalise the report and there were no specific concerns to bring to the attention of the Committee.
- d) Human Resources Controls – Annual Conversations – Members were informed that this audit had received “reasonable” assurance, with two medium and one low actions being agreed. Members were informed that training had not been provided recently and the recording of objectives is not consistent. Members commented that at the

Corporation meeting it was reported that new staff had been recruited to provide additional help and support to teaching staff following the outcomes of lesson observations and learning walks, and were surprised that this was not linked into the annual conversations. The Chief Financial Officer reported that the review was intended to review the quality of the annual conversations and had highlighted the need for improved training and roll out. Members noted an implementation date of December 2023 and asked for assurance ahead of this date. Members were informed that detailed updates will be provided via the audit action plan.

Members questioned what extent the annual conversation was linked to pay progression and the Chief Financial Officer agreed to find out. RSM reported that there was no reference to progression in the report as this was not part of the assignment. The CEO & Executive Principal clarified that teachers' observations had a different calendar of dates for implementation and that the regular annual conversations were more relevant to non-teaching staff. Members raised that appraisal conversations are usually ongoing and not just annually. Assurance was provided that ongoing conversations between staff and line managers take place and that the annual conversations is a formal way of reflecting those conversations held during the year.

The report was noted.

Action: Chief Financial Officer.

- e) Capital and Estates Management Arrangements – Members were informed that this audit had received “substantial” assurance with only three low actions agreed.

The report was noted.

- f) Progress report 2022/23, including updates against the Internal Audit Protocol – Following the WECA audit, members questioned whether the Learner Number Systems Apprenticeships audit continued to be a good use of auditor's time. The Chief Financial Officer and RSM confirmed that it should be retained due to changes in apprenticeship provision.

The report was noted.

10. Counter-Fraud Strategy

The Head of Finance presented revisions to the Counter-Fraud Strategy, including a new section on Audit Committee responsibilities. Apologies were provided in relation to a delay in the implementation of the fraud risk assessments which meant that the resulting fraud action plan was not available for this meeting. Assurance was provided that of the assessments so far

undertaken there are no areas of concern to raise. Appended to the report was a fraud risk assessment undertaken in the Finance department.

Following review of the Finance department fraud risk assessment, members questioned why duplicate purchases or expense claim comparisons aren't monitored. The Head of Finance advised that it was due to their complexity but there was no reason why expenses can't be monitored and that he would commit to this and report back.

Members commented that the report reads well with currently no reported frauds, especially as the attempts of fraud have increased, in particular cyber. Members raised that credit card fraud tends to be prevalent around leavers. The Head of Finance reported that there are very few credit cards in place as one-time only pre-loaded cards are used so there are no legacy cards when staff leave.

The Clerk raised the need for the Group CEO & Executive Principal's role title to be updated and clarified that it was for the Audit Committee to recommend this strategy to Corporation for approval.

It was resolved:

To recommend Corporation approval of the Counter-Fraud Strategy, subject to changes raised.

Action: Head of Finance.

11. **Financial Policies**

Confidential Item.

12. **Gifts & Hospitality Register; Whistleblowing Update; Fraud Register and Fraud Risk Assessment action plan**

Members noted that there were no entries on the registers presented and there had been no instances of whistleblowing to report.

13. **Audit Action Plan**

Members received the audit action plan and there were no questions raised.

The report was noted.

At this point Louise Tweedie from RSM was invited to leave the meeting.

14. **Re-tendering and Appointment of Internal Audit Service Auditor**

Confidential.

15. **Appointment of Financial Statements Auditor**

Confidential.

16. **Any Other Business**

This was picked up under agenda item 11.

17. **Key messages for Corporation**

The Chair suggested the following key messages for Corporation:

- To note the position on the WECA audit.
- Positive internal audit reports received.
- To note the recommendations for approvals of the Counter-Fraud Strategy, financial policies and internal and external auditor appointments.

18. **Date of Next Meeting**

Thursday 15 June 2023, 3pm, Microsoft Teams.

The meeting commenced at 3.00pm
Irene Molodtsov left the meeting at 4.56pm (during item 11)
Louise Tweedie left the meeting at 5.03pm (after item 13)
The meeting closed at 5.14pm
The meeting was quorate.