



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Monday 14 November 2022
In the Sports Pavilion Board Room, WISE Campus, New Road,
Stoke Gifford, Bristol

Present:	Mike Croker	Corporation Member & Chair
	Phil Eames	Corporation Member
	Sally Flett	Co-Opted Member
	Ben Short	Corporation Member
In attendance:	Rich Aitken	Head of Finance
	Nathan Coughlin	(Bishop Fleming – Financial Statements Auditors)
	Kevin Hamblin	CEO & Executive Principal
	Jude Saunderson	Chief Financial Officer
	Louise Tweedie	(RSM – Internal Audit Service)
	Sharon Glover	Clerk

As this would be Ben Short's last meeting, the Chair opened the meeting by thanking Ben for his contribution on the Committee and wished him well for the future.

1. **Apologies for Absence**

Apologies were received from Dave Merrett.

2. **Declarations of Interest**

There were no declarations of interest raised.

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.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 20 September 2022 were approved as a correct record and signed by the Chair.

6. **Matters Arising From Those Minutes**

- a) Corporation approval of the following was noted:
 - i) Group Freedom of Information Policy.
 - ii) Data Privacy and Protection Policy.

- b) Audit Committee action log – The action log was monitored and confirmation received that all actions had been completed. Members were informed that Sophie Green and Irene Molodtsov would be joining the Audit Committee from 1 December 2022, to replace Ben Short and provide an additional committee member, as raised by the Audit Committee.

Sara-Jane Watkins (College Principal) and Mel Packham (Head of Projects Management - Funding and Data) were welcomed to the meeting.

7. **Update on WECA and ESFA funding audits**

Members were informed that the College had received two funding audits, on top of the year end audit, and formal reports are awaited. These audits had been resource intensive and a duplication of effort. Members were informed of the outcomes of the audits and that lessons had been learnt and processes to be updated. Members were informed of the maximum exposures for each audit and received confirmation that the amounts are fully provided for in the accounts. The WECA audit had proved more challenging due to the funding rules and lack of communication from WECA. Further details of the challenges faced were provided.

Members asked of other Colleges experiences of these types of audits and the WECA audit was considered to be more onerous and disproportionately severe. Members suggested that consolidated feedback from Colleges should be provided to WECA. Confirmation was received that the College had already provided feedback to the AoC and WECA.

Bishop Fleming were asked if they were content with the position as reflected in the end year accounts and the meeting was informed that ideally Bishop Fleming would need to see the final audit reports to ensure that there is nothing else material arising. Members were informed that the reconciliation statement from the ESFA is due 30th November.

At this point Sara-Jane Watkins (College Principal) and Mel Packham (Head of Projects Management - Funding and Data) left the meeting.

8. **Risk Management Report**

The Chief Financial Officer presented the report and drew attention to a new risk added in relation to winter power outages and the College's ability to remain open. Members were informed that the lease of generators and UPS (Uninterrupted Power Supply) are being investigated and worse case scenario

planning taking place. Members raised the need to also consider the services provided outside of the College demise. In addition, curriculum planning is taking place in case of the need to re-introduce remote delivery. The risk of danger in the spike of energy when the power resumes was raised. Members concurred that the focus should be on continuity of learning and protecting equipment. Members sought, and received confirmation, that the College's disaster recovery plan is up to date.

Members questioned whether staff issues being reported at Corporation should feature on the risk reporting. Members were informed that it had featured on the last quarterly report but the risk had reduced as there are less vacancies now and a more stable HR team. However, it was recognised that recruitment continues to remain a challenge and that all Colleges are in the same position. Members also flagged the risk discussed at Corporation about the possible impact on quality of teaching and learning through the use of agency staff. Members were informed that each year the areas of risk change across curriculum areas and the Deputy Principal was managing the situation.

Members raised another risk, discussed at Corporation, of student behaviour and whether this featured in the risk register. The Chief Financial Officer agreed to check the full risk register. The CEO & Executive Principal confirmed that this year is no different to any other years and that behaviours will have settled by Christmas.

Members questioned where increasing issues in safeguarding/well-being concerns and the pressure being placed on staff sit on the risk register. Although included on the full risk register confirmation was received that the score was not above the tolerance level so did not appear on the tracker.

Members noted a slippage in actions scored above tolerance and the Chief Financial Officer advised that some of these risks may have changed for different reasons and agreed to review. Members also suggested that it would be helpful to denote whether risks are strategic or operational and the Chief Financial Officer agreed to give this consideration.

The auditors were then asked whether the risks were broadly comparable to other Colleges and both confirmed that they were and that there were no obvious risks omitted.

The report was noted.

Action: Chief Financial Officer.

9. **Internal Audit**

- a) Internal Audit Service's 2021/22 Annual Report – RSM reported that there had been no change to their report following its presentation at the last meeting.

It was resolved:

To recommend Corporation approval of the Internal Audit Service's 2021/22 Annual Report.

- b) Progress Report 2022/23 – Members received a progress report and client briefing covering FE Emerging Issues. Members noted a delay in receipt of audit feedback and when asked confirmation was received that there were no concerns.

RSM drew attention to the requirement for External Governance reviews by 31 July 2024 and the need for annual self-assessments of governance. The Clerk advised that that was in hand.

The report was noted.

10. **Financial Statements Audit**

- a) Financial Statements Auditors' Management Letter – Bishop Fleming presented their Management Letter and reported that the audit process had been positive, especially with the additional pressure placed on College staff due to the additional two funding audits. Information had been provided on time and to high quality. Confirmation was received that the audit is largely complete and is subject to the resolution of certain outstanding queries. Subject to the finalisation of these points, Bishop Fleming are anticipating issuing an unmodified audit report for the College, its subsidiary as well as for the consolidated financial statements.

The audit risks were presented and members questioned the number of journals posted and whether there were underlying control issues. Confirmation was received that there were no regularity concerns and that a number of the journals will have been automated.

Confirmation was received that there was satisfaction with the pension's valuation and how it is accounted for. Attention was drawn to the accounting for gains/losses on revaluation of investment properties, which had incurred errors in previous years. Bishop Fleming provided a full explanation of the different accounting treatment of tax and the Head of Finance confirmed that there had been no impact on the College's Financial Health. Confirmation was received that it had now been accounted for accurately. Confirmation was also provided that the subsidiary company is making a surplus and can gift aid to the College when in a profitable position.

Members were informed that three “green” best practice points had been raised. When asked, College staff expressed satisfaction with the service provided by Bishop Fleming. Members sought and received confirmation from Bishop Fleming that there was satisfaction with last year’s student records and the ESFA and WECA audits.

The Chair discussed the presentation of the accounts at Corporation meeting and Bishop Fleming advised that they may now have a short window available to join the Corporation meeting via Teams. It was agreed that the Clerk, Chief Financial Officer and Bishop Fleming should liaise in this respect.

Members suggested that it would be helpful for Corporation to receive further narrative to include the adjustment to provide for funding audits and confirmation of going concern. Bishop Fleming agreed to produce an addendum to their Management Letter.

It was resolved:

To recommend Corporation approval of Bishop Fleming’s Management Letter, subject to final oversight by the Chair of the Audit Committee.

- b) Draft SGS Annual Report and consolidated Financial Statements 2021/22 – The Chief Financial Officer reported that these were a pleasing set of accounts and will be double checked once the audit has been finalised. The Head of Finance reported one correction under Payment Performance in that the reference to 98% of invoices paid within 30 days should state 92%.

Following scrutiny, members raised queries for investigation and non-material changes. It was agreed that Report and consolidated Financial Statements should be recommended to Corporation subject to final oversight by the Chair of the Audit Committee.

To recommend Corporation approval of the Report and consolidated Financial Statements 2021/22, subject to further changes receiving final oversight by the Chair of the Audit Committee.

- c) Going Concern review – The Head of Finance presented the report and confirmed that the SGS Group is considered as a going concern. The report will be slightly updated for presentation to Corporation. Members asked that the most up to date cash flow forecasts are appended to the report and noted that there is a good level of headroom going into difficult future challenges ahead.

The report was noted.

- d) SGSCSL Annual Report and Financial Statements 2021/22, Management Letter and Letter of Representation were noted.

- e) Reconciliation of the Financial Statements to the July Management Accounts was noted.
- f) The Teachers' Pension Audit Letter was noted.
- g) Letter of Representation – Members were informed that investment property had been added to the College and SGSCSL Letters of Representation.

It was resolved:

To recommend the Letter of Representation to Corporation for approval with authority delegated to the Chair of the Corporation to sign on behalf of the Corporation.

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

Members received the annual report and following its review no changes were required.

It was resolved:

To recommend Corporation approval of the Audit Committee Annual Report to the Corporation and the CEO & Executive Principal.

12. **College returns and Assurance processes**

Members received a report outlining the key returns required during the year and assurance processes in place. For completeness, the report also included those returns due in July 2022 after the previous Audit Committee meeting.

Members were informed of a regulatory breach due to the late payment of the DDB Annual Infrastructure payment, a condition of OfS registration. The CEO & Executive Principal and Chair of the Corporation were notified and no further action is required. Members were informed that this was an administrative oversight and processes had been tightened to avoid future repetition. When asked, confirmation was received that the final funding return had been submitted.

The report was noted.

13. **2021/22 Bad debt write off**

The Head of Finance reported that bad debt write-off for 2021/22 totalled £26k. Members were informed that the figure is higher as there is a large amount of prior student debt accumulated. Confirmation was received that bad debt has been provided for on the balance sheet. Processes have been strengthened with more automation introduced and the means of chasing students are under constant review. Members commented on the higher debt

amounts towards the end of the appended report and questioned whether there were cause for concern. The Head of Finance agreed to review these amounts.

Members questioned whether the College runs a reputational risk if it is too aggressive in its approach to chasing debt. The Head of Finance confirmed this would be the case and that the data is checked beforehand and only high value debts are chased.

The report was noted.

Action: Head of Finance.

14. **Audit Action Plan**

The Chief Financial Officer presented the audit action plan and there were no concerns to raise. Members were informed that the red action for HR cannot be completed until further resources are in place and the service level agreements have been delayed by the funding audits.

The report was noted.

15. **Audit Committee Training and Development**

The Committee was invited to determine whether there are any gaps in the Committee's existing skill set and any further Training and Development needs. The Clerk reported that nugget training will continue and RSM will be repeating the training previously provided on the role of the Audit Committee, for the benefit of the new members joining. All members will be invited to attend the refresher training and the Chair asked that at the same time any other areas of training needs are raised with the Clerk. With the addition of the new members this will refresh the Committee's skillset.

The report was noted.

16. **Any Other Business**

The Chair informed that he had attended an Audit and Finance Committee Chair's meeting held by the AoC and had received a good presentation that would be circulated by the Clerk. The ONS reclassification outcome is now due at the end of November 2022.

Action: Clerk.

17. **Key messages for Corporation**

The Chair proposed that the key messages for Corporation were the items recommended for Corporation approval.

The Chief Financial Officer, Head of Finance, their Teams and the auditors were thanked for the work undertaken.

18. **Date of Next Meeting**

Tuesday 28 March 2023, 3pm, via Teams

The meeting commenced at 2.55pm

The meeting closed at 4.40pm

The meeting was quorate.