



SOUTH GLOUCESTERSHIRE AND STROUD COLLEGE
FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Approved minutes of a meeting
Held on Tuesday 19 September 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:	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 those present and explaining that, due to the nature of the confidential agenda item 14, the CEO & Executive Principal and Louise Tweedie would be invited to leave the meeting at that point.

1. **Apologies for Absence**

Apologies were received from Rich Aitken and Nathan Coughlin.

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 in relation to College management.

However, Bishop Fleming noted the delays incurred with the sign off of the 2021/2022 end of year accounts, which was through no fault of the College, and management had been keeping them updated.

4. **Other Items of Urgent Business**

There were no items of urgent business.

5. **Minutes of Previous Meeting**

The minutes of the meeting held 15 June 2023 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) Internal Audit needs assessment, strategic plan and 2023/24 annual plan, including Internal Audit Protocol, subject to one minor revision to the GDPR audit date.
 - ii) Financial Regulations.
 - iii) Audit Committee Terms of Reference.
 - iv) Fraud Response Plan.

The Chair reported that there is one vacancy on the Committee and consideration of Committee membership will be an agenda item at the 5th October 2023 Corporation meeting.

- b) Audit Committee action log – the log was reviewed and all actions had been completed. The Chief Financial Officer reported that, in response to minute 12 from 15 June 2023 Audit Committee meeting, there was only one risk assessment that needed to be returned. This was followed up and no actions needed. The next Risk Assessments are due February 2024.

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

The Chief Financial Officer confirmed there was a funding adjustment following the funding audits. Although a business case was presented to WECA it was not upheld and members were informed of the amount of funding clawed back.

The ESFA investigation has now been closed and a closure letter received 8th September 2023. It was concluded that there was no evidence of fraud but it did lead to updates in internal processes to ensure more robust controls. The Audit Committee asked that the closure letter is circulated to them.

It was reported that the ESFA funding audit draft report had been received and the College is working with Mazars to finalise and there will be clawback, albeit immaterial to the financial statements.

At this point Gavin Murray, Deputy Principal, joined the meeting and the Chair brought forward item 8 with a view of returning to item 7 thereafter.

8. **GDPR & Freedom of Information Report**

The Deputy Principal reported typographical errors in the Data Privacy and Protection policy, which will be updated prior to submission to the Corporation. Members discussed the frequency of policy review and whether this could be updated to a biennial review. Having checked College's guidance, the Deputy Principal reported that there was no current guidance for Colleges but he had identified that if a review frequency is set then the College needs to comply with it. It was agreed that this policy is to be reviewed on a

biennial basis unless legislative/material changes warrants an earlier review.

Having scrutinised the benchmarking data, the Deputy Principal was asked how the data can be characterised. Members were informed that there are a relatively low level of incidences and recent data from the States shows Education as the second most targeted sector. As a result, the ICO is starting to increase its vigilance on education institutions. Members felt the report to be encouraging.

It was resolved:

To recommend Corporation approval of the Freedom of Information Policy (including Model Publication Scheme); Data Privacy and Protection Policy, subject to changes discussed, and the revised version of the College's Privacy Notice and that going forward these policies are to be subject to biennial approval unless material changes are required.

At this point the Deputy Principal was invited to leave the meeting and the Chair continued with agenda item 7 updates.

The Chair mentioned that the amount of College resource needed in response to these audits and investigations should not be under-estimated. The Chief Financial Officer advised that there were some issues that had arisen that the College were already aware of and in some areas, there is a need to change processes together with an action plan in place for apprenticeships. There is, however, nothing of great concern and the RSM audit report later in the meeting covers the investigation. Confirmation was received that there was no fraudulent activity following the ESFA investigation but the ESFA would not allow Mazars to continue with the sign off of their funding audit until the investigation had been concluded. A one-month extension to operational banking has been agreed and the sign off of financial statements deadline extended until the end of September 2023.

The ESFA funding audit has identified a £55k funding error and the level of unadjusted areas has been shared with Bishop Fleming. There is no issue with materiality so 2021/22 financial statements will not be adjusted but there are some post balance sheet disclosures being considered by Bishop Fleming. The Chair raised that there had been some inequity on the basis that although the College had overclaimed, it had underclaimed in other areas but the ESFA would not allow one to be offset against the other. It was explained that the funding came from different pots and ESFA want to recover funding from their pot.

Members asked how these issues could be avoided in the future and were advised that it was unfortunate that both the audits and investigation came at the same time and the cause of the frustration was the length of time taken to complete the audits/investigations. The College has requested that ESFA and WECA should coordinate the timing and approach to any future funding audits. The College has also taken on additional resource to undertake internal spot checks on funding and will ensure that there is a robust internal audit programme in place. The difference in funding rules between the ESFA and WECA also provides added challenge.

Members also raised that there are ongoing issues with apprenticeships and recognised that this is a complex area and were supportive of additional internal quality assurance. Members also questioned whether there is a management issue in this area as issues keep occurring over a number of years. The CEO & Executive Principal advised that apprenticeships have been a focus from an audit perspective and is difficult to manage every transaction. Following identification of an issue in this area actions were taken and auditing undertaken. Although disappointing, the College doesn't handle this provision too badly. There is also a reliance on employers which can cause delays in the process. There is no major crisis, but the continued focus on this area is having a negative impact on staff and there needs to be some understanding of what staff have gone through.

The Chair asked if the final copy of the ESFA report can be circulated to Audit Committee members. The Chair also raised that the Committee would be supportive of the College should they wish to make a formal complaint to the ESFA. The CEO & Executive Principal advised that the College has made their frustrations clear with the ESFA in relation to the delays experienced and lack of communication incurred which has inhibited the College from complying with statutory timeframes for the filing of end of year financial statements.

On behalf of the Audit Committee, the Chair provided appreciation to College management in response to the additional pressures faced with these audit reviews.

Action: Chief Financial Officer.

The Chair suggested that he brought forward agenda item 10 as 10a was relevant to current discussions.

9. **Internal Audit (Agenda Item 10)**

RSM presented the following reports:

- a) Learner Number Systems: Post 1 May 2017 Apprenticeships - RSM reported that testing had been completed on 2022/23 apprenticeships against funding rules and the new requirements for 2023/24. This was considered to be a complex area and no Colleges receive good outcomes for this provision type. RSM suggested that they meet with the MIS staff to discuss the 2023/24 funding rule changes as there are new staff in this area. RSM suggested that sample checking is undertaken using the ESFA self-assessment checklist. The CEO & Executive Principal suggested that there may be the need for additional support/management in this area and would raise with the Executive Team for discussion. In relation to benchmarking of other RSM clients, members questioned how the College fared. RSM advised that the College was in line with others for this type of provision.

The Chair asked for an update at the March meeting relating to the implementation of actions from the internal audit, funding audits and investigation. The Chief Financial Officer confirmed that a spreadsheet

of actions had been developed and an update will be provided at that meeting.

- b) 2022/2023 Follow Up Report – RSM provided an update on actions followed up and the conclusion was an Amber/Green opinion, with Reasonable progress having been made. Members asked if there were reasons behind those actions not implemented and were informed that some actions relate to partial completion and there were specific reasons for these. The Chief Financial Officer advised that she would provide challenge to these types of actions and seek evidence. Members asked if the action implementation dates are reviewed to ensure completed within timeframes and were informed that these are not checked. However, it was acknowledged that there is visibility of implementation dates via the audit action plan.
- c) Draft 2022/23 Annual Report - This was a positive annual report with an Amber/Green opinion. RSM raised an error on page 4 of the report and that the narrative relating to Internal Controls factors had been omitted. Members concurred that this report reflected positively on the College.
- d) Progress report, including updates against the Internal Audit Protocol - Members asked, and received confirmation, that there was satisfaction with the audit timings and that planning meetings have been scheduled in. Members also received RSM client briefings and although no emerging risks not on the College risk register it was suggested that it would be helpful to continue to monitor as the briefings inform wider thinking of emerging risks. The Chief Financial Officer agreed to share the Higher Education client briefing with the Deputy Principal as this provision falls under his control.

The reports were noted.

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

10. **Risk Management Annual Report (Agenda Item 9)**

The Chief Financial Officer presented the report and explained that there is a mixture of risks, with no themes arising. Members questioned the purpose of the report and it was explained that it provided a summary of risk management in order help the Audit Committee form its conclusions in its annual report to the Corporation. The Corporation are also reliant on the Audit Committee for detailed risk management so also helpful for Corporation to see this report. RSM were asked if other Colleges produce this report and confirmation was received that they did. RSM suggested that it is helpful to look at a rolling 12-month table of risks in order to identify any trends. Members were also interested in risks that had materialised that had not been captured in the risk register. It was left with the Chief Financial Officer to give this further consideration.

In the absence of Irene Molodtsov, the Chair raised that she had some questions that would be shared with the Chief Financial Officer as they were more relevant for consideration at the Corporation meeting.

Following scrutiny of the report various revisions were raised for updating by the Chief Financial Officer.

The report was noted.

Action: Chief Financial Officer.

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

The Chief Financial Officer reported that there have been a few changes to the questionnaire to reflect ONS rules. Confirmation was received that the College had made a return to the ESFA in spring to confirm that changes had been undertaken to comply with the ONS changes.

Members were informed of one area of non-compliance in relation to seeking DfE approval of the Letter of Support for SGS Commercial Services. However, at the time of the December Corporation meeting there had been no guidance. Subsequently, the College has sought DfE approval of the Letter of Support and as yet no response has been received. ESFA have been informed that the College is considering the disposal of SGSCSL and it is hoped that approval for the Letter of Support will be received in time for the November Corporation meeting.

There is a high-level note that the College is in the middle of an investigation and confirmation was received that the external auditors have been made aware of the situation. The Chief Financial Officer raised one revision on page 16. The Chair referenced page 21 in relation to notifying ESFA of any significant disposals and confirmation was received that they have been updated on the plans for Berkeley campus.

The Chair referenced the settlement agreement and sought confirmation that the amount involved did not warrant Corporation involvement. The Chief Financial Officer agreed to speak with the Chief Group Services Officer in this respect.

The report was noted.

Action: Chief Financial Officer.

At this point the CEO & Executive Principal and Louise Tweedie (RSM) were invited to leave the meeting due to the arrival of two RSM auditors who would be reporting on agenda item 14.

12. **Confidential Item (Agenda item 14)**

Confidential Item.

13. **Waivers/Breaches of Financial Regulations (Agenda item 12)**

Members received the waivers/breaches of Financial Regulations report. The Chair sought, and received assurance from the Chief Financial Officer, that the report was comprehensive.

The report was noted.

14. **Audit Action Plan (Agenda item 13)**

Due to time constraints, the Chair proposed that this item is carried forward to the next meeting.

15. **Any Other Business**

There was no other business raised.

16. **Key messages for Corporation**

Subsequent to the meeting the Chair informed the Clerk of the following key messages for Corporation:

- Effective closure of ESFA funding audit and Apprenticeship Investigation, anticipated to enable the 2021/22 accounts sign off by 30 September 2023. Thanks to the Executive and staff for managing the College response.
- Routine RSM review confirms improvements needed to meet the onerous complexities of Apprenticeship funding rules.
- Positive RSM draft Internal Audit annual report for 2022/23 governance sign offs.

17. **Date of Next Meeting**

Monday 13 November 2023, 3pm, WISE Campus.

The Chair raised that the March meeting was on Maundy Thursday and asked whether anyone wished the date of the meeting to be rescheduled. Members were happy to continue with the meeting date of 28th March 2024.

The meeting commenced at 3.02pm

Irene Molodtsov left the meeting at 4.07pm (during item 9d)

Kevin Hamblin and Louise Tweedie left the meeting at 4.30pm (after item 11)

The meeting closed at 5.38pm

The meeting was quorate.