

**AUDIT COMMITTEE**

MEETING HELD ON THURSDAY 9 MARCH 2017

Meeting commenced: 18.00

Meeting ended: 18.45

**PRESENT**

Dr Andrew Gilchrist  
Mrs Liz Rushton  
Mr Patrick Waller

Independent Member                      Chair  
Independent Member  
External Co-opted Member

**IN ATTENDANCE**

Mrs Jayne Dickinson  
Mr Kevin Standish  
Mrs Jyoti Baker  
Ms Lorna Raynes

Principal and Chief Executive  
Deputy Principal: Curriculum and Standards  
Vice Principal: Finance and Resources  
Internal Audit Service: RSM Risk Assurance LLP

**APOLOGIES FOR ABSENCE**

Mr Charlie Martin  
Ms Rosemary French  
Mr Colin Monk  
Mr Subarna Banerjee

Support Staff Member  
Independent Member  
Independent Member  
External Audit Service: UHY Hacker Young

**CLERK**

Mrs Sue Glover

Clerk to the Corporation

**AC.01.17      DECLARATION OF INTERESTS**

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

**AC.02.17      APOLOGIES FOR ABSENCE**

Apologies for absence were received from:

Mr Charlie Martin	- personal commitments
Ms Rosemary French	- personal commitments
Mr Colin Monk	- personal commitments
Mr Subarna Banerjee	- business commitments

The Clerk advised that, as the absences had been known in advance, Mrs Liz Rushton had been invited to attend as an independent member to provide relevant expertise and to ensure that the meeting was quorate.

The Audit Committee agreed to accept the apologies for absence.

**AC.03.17      NOTIFICATION OF ANY OTHER BUSINESS**

Members agreed that there was no other business to be considered.

**AC.04.17      UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE  
HELD ON 1 DECEMBER 2016**

The minutes of the meeting were approved and signed as a correct record, subject to minor amendments as discussed.

**AC.05.17 MATTERS ARISING AND ACTION POINTS FROM THE MINUTES OF THE PREVIOUS MEETING**

Members agreed that there were no matters arising from the minutes of the meeting.

Members noted that all Action Points arising from the meeting had been addressed to the satisfaction of the Committee.

**AC.06.17 RISK MANAGEMENT: SPRING TERM 2017**

The Vice Principal: Finance and Resources presented a report which provided an update on

- the College risk review process for the Spring Term 2017
- the monitoring of the following risks
  - Risk S9: Severe business disruption – ‘minor’ risk
  - Risk O3: Failure to maintain timely and accurate learner data – ‘fundamental’ risk

Members were advised that the report included a summary of the high level contributory factors for each risk monitored by the Committee. The medium and low level contributory factors will continue to be monitored by the internal Risk Management Committee. As there were no changes to the high level contributory factors for Risk S9, only Risk O3 was presented.

Members considered and discussed the detail of the highlighted revisions to Risk O3: Failure to maintain timely and accurate learner data, noting that

- There is a change to the summary sheet to include the addition of a ‘responsibility’ column and a change to the corresponding column in the detail risk summary to ‘operational responsibility’ giving clarity to the lead responsibility
- There have been no changes to the risk ratings in the Spring Term

Members noted the key impact measures of the report.

**RESOLVED**

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Spring 2017 relative to the risk assignments

**AC.07.17 INTERNAL AUDIT: REVIEW OF OUTSTANDING AUDIT ITEMS**

The Vice Principal: Finance and Resources presented, for consideration, a report on outstanding audit items.

Members reviewed each of the points and noted that a number of the issues raised have been completed to the satisfaction of Management, and are expected to be cleared following the next internal audit review in April.

It was noted that the recommendations from the Subcontractor Controls internal audit is shown as outstanding as this has only just been completed and the final report is presented later in this meeting by the internal auditor.

**AGREED**

The Audit Committee receives and notes the report

#### **AC.08.17 INTERNAL AUDIT PROGRESS REPORT: MARCH 2017**

The Internal Auditor presented an update on progress relative to the Internal Audit Plan for 2016/2017.

Members considered the summary of progress against the Internal Audit Plan, noting that there were no issues to be brought to the attention of the Committee and that there were no changes to the Plan.

Members noted that the following audits have been completed which have resulted in positive opinions with no issues noted that would impact on the year end opinion:

- Learner number systems (DSAT) (1.16/17)
- Key financial controls (2.16/17)

A review of the College's subcontracting arrangements as required by the SFA (but see AC.09.17 below) has also been completed which did not identify any management actions during the audit. This audit does not form part of the internal audit plan.

It was noted that there are 4 internal audits due to commence in April:

- Learner number systems (substantive)
- IT Disaster recovery (follow up, deferred from December 2016)
- Risk management and governance
- Follow up

Members were advised that consideration was being given to reducing the number of days assigned for the Risk Management and Governance internal audit as the previous audit resulted in a substantial assurance with no issues and, therefore, only a 'light touch' review would be required. The remaining days would be used to review the College Estate.

The Internal Auditor also presented, as part of the Progress Report, information with regard to

- Further Education High Priority Management Actions
- Gender Pay Gap Reporting

#### **RESOLVED**

The Audit Committee receives and notes the Internal Audit Progress Report: March 2017.

#### **AC.09.17 INTERNAL AUDIT ASSIGNMENT REPORT: MARCH 2017**

The Internal Auditor presented, for consideration and approval, the final report for Subcontracting Controls – January 2017.

Members were advised that

- this internal audit was not part of the internal audit plan for 2016/17
- the SFA funding agreements for 2015/16 contained a new clause about an annual subcontracting assurance requirement. The clause requires
  - lead providers subcontracting more than £100k of its funded provision in 2015/16 to obtain a report from an external auditor on the arrangements in place to manage and control those subcontractors
  - lead providers to supply the SFA with a certificate confirming that the provider's arrangements are satisfactory
- the new clause is also included in the Financial Memorandum for 2016/2017 with a submission deadline for the relevant report of 31 January 2017

- The College works with only one subcontractor for SFA funding, the Workers' Education Association (WEA), with a contract to deliver £390k of Community Learning in 2015/16, reducing to £240k in 2016/17

Members noted the findings of the report

*'The College has a framework of control in place over subcontracting and we have confirmed that this is operating as planned. Whilst this report does contain three management actions, we do not consider them to represent a significant risk to the College's subcontracting arrangements'*

Members reviewed the action plan in place and noted that good progress is being made to address the issues raised.

After its submission, the deadline for completion of the SFA required audit of Subcontracting Controls was put back from 31 January 2017 to 31 May 2017 and the final requirements for the audit were to be confirmed prior to that date. Subject to confirmation of those requirements, the report is final.

### **RESOLVED**

The Audit Committee approves the Internal Audit Report on Subcontracting Controls

## **AC.10.17**

### **REVIEW OF COLLEGE POLICIES**

The Clerk to the Corporation presented, for consideration and approval, a report relating to the review and update of

- **ESC 14 Public Interest Disclosure Policy**

The Committee was reminded that

- at the end of 2013 the Association of Colleges (AoC) provided comprehensive guidance on Whistleblowing for colleges in the light of changes to relevant legislation and advised that
  - the Public Interest Disclosure Act 1998 (PIDA) amended the Employment Rights Act 1996 (ERA) to provide protection, in certain circumstances, for 'whistleblowers'
  - the Enterprise and Regulatory Reform Act 2013 (ERRA) amended the 'whistleblowing' provisions of the ERA 1996
- as a consequence of the requirements of ERRA, the policy was amended and approved by the Audit Committee in June 2015

Members were advised that the AoC has confirmed there have been no subsequent changes to their guidance since 2013 and therefore the policy requires no further amendments at this time. The College's Director of HR and Professional Development has also advised that no amendments are required.

Members noted the key impact measures arising from the report.

### **RESOLVED**

The Audit Committee approves and commends to the Corporation Board

- **ESC 14 Public Interest Disclosure Policy**

## AC.11.17

### SHARED SERVICES IN SUSSEX AND SURREY COLLEGES

The Vice Principal: Finance and Resources presented, for information, a report updating members on the latest position with regard to SSSC together with the SSSC update for ESC Governors Number 15, dated 15 February 2017

Members were advised that

- As a result of discussions during their area-based review, the Sussex Colleges successfully bid for a Transition Grant to commission an independent organisation to perform a review of the SSSC system
- Grant Thornton were appointed and, following their review, identified that significant work needed to be undertaken to make the systems fully functional and presented three future scenarios in their report:
  - Future Scenario 1: SSSC College separation
  - Future Scenario 2: three options:
    - i. Create a new SSSC Shared Service Centre from the current set up
    - ii. Separate Surrey and Sussex solution
    - iii. Integrate with other out of area shared service operation
  - Future Scenario 3: Outsourcing – Onshore
- All the SSSC Sussex Colleges are involved in merger or federation discussions and not all with other SSSC Colleges
- There is recognition that the current system would need to be re-engineered to make it fit for purpose under these new circumstances
- UNIT4 have been asked to provide costings for the various options available, under future scenario 1, to the Colleges and, although received, there are still significant questions to be answered and implications understood

Members discussed the issues arising and, in response to questions, were advised that

- UNIT4 have been asked to supply costings relative to the separation of the Colleges as there is an intention to wind up SSSC in July
- The Finance and Resources Committee have agreed that the Executive should continue discussions with UNIT4 to fully evaluate the various options and other systems should also be considered. A report detailing proposals would be presented to the next meeting of the Finance and Resources Committee in June for consideration to enable recommendations to be made to the Corporation.

### AGREED

The Audit Committee receives and notes the report.

## AC.12.17

### KPI DASHBOARD

The Committee received the KPI Dashboard for Finance: January 2017.

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the same period for the prior year for

- Tuition Fees
- Employer Engagement Income
- Additional Contract Income
- Staff FTEs
- Staff costs as a percentage of total income
- Staff costs as a percentage of total income excluding subcontract
- Cash balance at month end
- Supplier invoice payment days

The Committee requested consistency in the colouring between the charts so that, for example, "16/17 Actual (YTD)" appears in the same colour in each chart.

**AGREED**

The Audit Committee receives and notes the KPI Dashboard for Finance: January 2017.

**AC.13.17**

**ANY OTHER BUSINESS**

There was no other business.

**AC.14.17**

**DATES OF SCHEDULED MEETINGS: 2016/2017**

Thursday 15 June 2017 commencing at 18.00

**SIGNED AS A CORRECT RECORD:**

A handwritten signature in dark ink, appearing to be the initials 'AC' followed by a stylized flourish.

**DATE:** 15 June 2017