

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 14 JUNE 2018

Meeting commenced: 18.10

Meeting ended: 19.45

PRESENT

Dr Andrew Gilchrist
Mr Colin Monk
Ms Rosemary French
Mr Charlie Martin
Mr Patrick Waller

Independent Member
Independent Member
Independent Member
Support Staff Member
External Co-opted Member

Chair

IN ATTENDANCE

Mrs Jayne Dickinson
Mrs Jyoti Baker
Mr Kevin Standish
Mr Tim Lo
Mr Michael Townsend

Principal and Chief Executive
Vice Principal: Finance and Resources
Deputy Principal: Curriculum and Standards
Internal Audit Service: RSM Risk Assurance LLP
Internal Audit Service: TIAA (from item 9 of the agenda)
External Audit Service: UHY Hacker Young

Mr Subarna Banerjee

CLERK

Mrs Sue Glover

Clerk to the Corporation

AC.12.18

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.13.18

APOLOGIES FOR ABSENCE

There were no apologies for absence.

AC.14.18

NOTIFICATION OF ANY OTHER BUSINESS

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

AC.15.18

UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 8 MARCH 2018

The minutes of the meeting were approved and signed as a correct record.

AC.16.18

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 previous meeting.

Members noted that all Action Points had been satisfactorily completed.

Subarna Banerjee and Tim Lo left the meeting

AC.17.18

INTERNAL AND EXTERNAL AUDIT PROVIDERS

The Vice Principal: Finance and Resources presented, for consideration and recommendation to the Corporation Board, a report detailing the process followed regarding the appointment of the College's internal and external audit providers.

Members were advised that

- the College's current internal and external auditors complete their three year rotations and extensions on 31 July 2018, it is appropriate that a tendering exercise is undertaken to ensure the College is receiving best quality service and value for money on its internal and external audit contracts
- the Crescent Purchasing Consortium (CPC) framework was used to approach providers for both internal and external audit services
- the following three highest scoring providers for each audit service were shortlisted and invited to present to the College:

Internal Audit Service

- Wylie & Bisset
- RSM
- TIAA

External Audit Service

- Wylie & Bisset
- UHY
- Buzzacott

- the final award criteria was based on presentations to the panel, consisting of the Chair of the Audit Committee, the Vice Principal Finance and Resources and the Head of Finance and Resources

Members were advised of the details of each of the interviews and of the basis on which, following the analysis of each candidate, it was considered appropriate to recommend the following:

- External Audit plus Teachers' Pension Scheme audit
 - reappoint UHY Hacker Young to complete the 2017/18 financial statements audit at a cost of £15,750+VAT
 - appoint Buzzacott as external auditors in the Spring Term 2019 for a period of 3 years commencing 1 August 2019 at a cost of £16,950+VAT
- Internal Audit
 - appoint TIAA as internal auditors for the College for 3 years commencing 1 August 2018 at a cost of £12,137.40+VAT. It was noted that if the contract is subsequently extended beyond 3 years, the daily rate of £404.58+VAT would be uplifted by CPI

Members reviewed the scope and criteria of the selection process, commending the panel on the rigorous process that had been followed.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee recommends to the Corporation Board for approval

- the appointment of TIAA as internal auditors for the College for 3 years commencing 1 August 2018
- the reappointment of UHY Hacker Young as external auditors to complete the 2017/18 financial statements
- appoint Buzzacott as external auditors in the Spring Term 2019 for a period of 3 years commencing 1 August 2019

Subarna Banerjee and Tim Lo rejoined the meeting

AC18.18

POST-16 AUDIT CODE OF PRACTICE FOR 2017/18

The Clerk to the Corporation presented, for consideration, the latest Post-16 Audit Code of Practice (ACoP).

Members reviewed the document noting the changes in the 2017/18 version, which included clarifying that staff governors should not be members of an audit committee. In discussion, members acknowledge that staff governors have served on this committee for a number of years without any issues and made a valuable contribution. However, it was agreed that as the ACoP sets out a common standard for the provision of assurance in relation to funding of post-16 providers, it was appropriate to follow the guidance given and, as a consequence of this, staff governors would no longer serve on the Audit Committee and the terms of reference amended to reflect this.

AGREED

The Audit Committee agree to

- receive and note the report
- staff governors no longer serving on the Audit Committee

AC.19.18

INTERNAL AUDIT: REVIEW OF OUTSTANDING AUDIT ITEMS

The Vice Principal: Finance and Resources presented, for consideration, a report on outstanding audit items from the College's internal audit programme.

Members were advised that the audit tracker maintains a record of the actions raised during an audit, that at subsequent committee meetings are shown as awaiting clearance as a follow up audit has not yet taken place or the actions are still outstanding.

Members reviewed the report, noting that the actions raised refer to the DSAT audit in October 2017, these actions although completed cannot be removed until the audit in October / November 2018. There are no other outstanding actions from previous years on any other audits.

AGREED

The Audit Committee receives and notes the report.

AC.20.18

FINAL INTERNAL AUDIT ASSIGNMENT REPORTS

The Internal Auditor, RSM, presented, for consideration and approval, the final reports for the following Internal Audit reviews.

Risk Management Apprenticeships: 2.17/18 final

Members were advised that the internal audit had been carried out to review the systems and processes in place in relation to Apprenticeships with a view of managing the risk. This included a review of Apprenticeship starts, post May 2017, which are funded via the Levy/Non-Levy allocation and subject to new funding rules.

It was noted that the report determines the internal controls in place and does not provide a level of assurance or internal audit opinion.

The key findings identified two 'medium; and one 'low' priority issues and members were advised that these have now been resolved by management and signed off by the internal auditors as complete.

Key Financial Controls: 3.17/18 - final

Members were advised that an audit of the key financial controls was undertaken as part of the internal audit plan for 2017/18.

One 'medium' and three 'low' priority issues were identified.

Members noted the conclusion in the report:

'Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are consistently applied and operating effectively'

Learner Number Systems: 4.17/18 – Draft report

Members were advised that a mock funding review at the request of College Management and the Audit Committee was carried out as part of the Internal Audit plan for 2017/18. A review of Apprenticeships pre May 2017, was also completed.

Recommendations made across Apprenticeships (pre May 2017) and Adult Education Budget (AEB)

One high
Three medium
Six low

Recommendations made across 16-19 Study Programmes

One medium
Three low

Members noted the conclusion in the report:

'16-19 Study Programme – Green

In completing the agreed programme of work on East Surrey College's ILR return dated 17 April 2018, nothing has come to our attention that suggests that East Surrey College is not complying with the Funding Rules'.

'Apprenticeships (pre May 2017) and AEB – Amber

In completing the agreed programme of work on East Surrey College's ILR return dated 17 April 2018, we have identified a number of exceptions where East Surrey College has not complied with the Funding Rules. The exceptions identified have resulted in errors in the funding being claimed. Further details are provided in section 2 of this report'.

Members discussed the issues associated with Apprenticeships (pre May 2017) and AEB and the eligibility for funding, which had attracted a high priority recommendation. It was noted that the College has contacted the ESFA to make a business case regarding the issue of funding being incorrectly claimed for a small number of adult learners. The College has removed these learners from funding at R10 pending the outcome of the ESFA appeal.

Members were advised that there has been a significant change in the MIS team and the College acknowledges that necessary actions were not completed in a timely manner. However, a new Head of MIS is now in post and the agreed actions have been followed through.

Members reviewed the detail of the report noting that all actions raised have now been completed by the College and, following a review by internal audit, a final report will be issued.

RESOLVED

The Audit Committee approves Internal Audit Reports

- Risk Management Apprenticeships: 2.17/18
- Key Financial Controls: 3.17/18
- Learner Number Systems, subject to final report being received following a review by internal audit of the completed actions

The Committee thanked Tim for RSM's internal audit services provided to the College.

Tim Lo of RSM left the meeting

Michael Townsend of TIAA joined the meeting

AC.21.18

LETTER OF ENGAGEMENT: FINANCIAL STATEMENTS AND REGULARITY AND TEACHERS' PENSION SCHEME AUDITOR FOR 2017/2018

The External Auditor presented, for consideration and approval, the Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Scheme Auditor between UHY Hacker Young LLP and East Surrey College and the Education and Skills Funding Agency.

Members noted that the document dated 22 August 2017 is carried over from the previous year unless any changes are requested by the College.

Members reviewed the detail of the Letter of Engagement and agreed that there are no changes required for 2017/18.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval for 2017/18, without amendment, the Letter of Engagement: Financial Statements and Regularity Auditor between UHY Hacker Young LLP and East Surrey College and the Education and Skills Funding Agency.

AC.22.18

FINANCIAL STATEMENTS AUDIT SERVICE PLAN: 2017/2018

The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Service Plan: year ended 31 July 2018.

Members considered the key issues arising from the report

- Audit independence
- Audit engagement and scope
- The risks of error in the financial statements
- Form and timing of communications
- The preparation of the financial statements
- Audit timetable

Members reviewed the detail of the document which outlines the key audit issues identified for the year ending 31 July 2018 and reflects discussions with the College and knowledge of the FE sector. It was noted the following were identified as areas which could give rise to higher risks of error in the financial statements:

- Revenue recognition
- Treatment of pension scheme assets and liabilities
- Going concern
- Student debtors
- Regularity opinion

The External Auditor asked the Audit Committee to confirm whether there had been any incidents relating to Fraud during the year and members confirmed that there had not been.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Corporation Board the East Surrey College Audit Service Plan: year ended 31 July 2018

AC.23.18

INTERNAL AUDIT LETTER OF ENGAGEMENT: 2018/2019

The Internal Auditor, TIAA, presented, for consideration and approval, the Letter of Engagement for the provision of internal audit service in 2018/2019.

Members reviewed the detail of the Letter of Engagement, noting the agreement for the College to purchase 30 days of internal audit services in 2018/2019 at a daily rate of £404.58+VAT. This price will be fixed for the first three years of the contract. If it is subsequently extended beyond 3 years then the daily rate would be uplifted by CPI at the April preceding the start of the College's financial year.

Members advised that there were a few grammatical inaccuracies in the Letter of the Engagement which the internal auditor agreed to correct and submit a revised version so this can be approved by the Corporation Board in July.

RESOLVED

The Audit Committee approves and recommends for approval to the Corporation Board the Letter of Engagement for the provision of internal audit services by TIAA, subject to the amendments as discussed

AC.24.18

INTERNAL AUDIT PLAN FOR 2018/2019

The Internal Auditor presented, for consideration and approval, the Internal Audit Strategy and 2018/19 Annual Internal Audit Plan together with the Internal Audit Reporting Protocol and Internal Audit Charter.

Members reviewed the key sections of the Internal Audit Plan

- Audit Strategy Methodology
- Risk Prioritisation
- Audit Strategy and Annual Plan
- Audit Remit
- Reporting
- Assurance Mapping
- Annex A: GUARD Risk Analysis
- Annex B: Rolling Strategic Plan
- Annex C: Annual Plan 2018/2019
- Annex D: Audit Remit

The Committee reviewed the specific aspects of the Strategy and Annual Plan relative to 2018/2019, noting that there were some gaps which required to be completed and the internal auditor agreed to issue a revised version which would be presented to the Board in July for approval.

RESOLVED

The Audit Committee approves and recommends to the Corporation Board for approval the internal audit plan for 2018/2019, subject to amendments as discussed.

AC.25.18 RISK MANAGEMENT: SUMMER TERM 2018

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

- the College risk review process for the Summer Term 2018
- the monitoring of **Risk S9: Severe business disruption** – ‘minor’ risk, no change
- the monitoring of **Risk O3: Failure to maintain timely and accurate learner data** – ‘fundamental’ risk

Members were advised that the Risk Management Committee had met in May 2018 and provided revisions to the risk register document.

Members considered and discussed each of the risks, noting that

- Risk O3 – a number of amendments have been made to reflect the high priority recommendation identified in the recent Learner Number Systems internal report
- Risk S9 remains unchanged as a ‘minor risk’, although various elements have been updated

The internal auditor suggested that the contributing factor under Risk S9 relating to threat from extremist or cyber fraud activities should be clearly split between the two as each were very different.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board the updated Risk Register: Summer Term 2018.

AC.26.18 REVIEW OF COLLEGE POLICIES

The Vice Principal: Finance and Resources presented, for consideration and approval, the following policies:

- ESC 81 General Data Protection Policy
- ESC 82 Rights of Individual Policy
- ESC 83 Personal Data Breach Notification Policy
- ESC 84 Data Retention Policy
- ESC 44 Best Value Policy

Members were advised that policies ESC 81 – 84 are new policies introduced as a result of the General Data Protection Regulation Act (GDPR) which came into effect on 25 May 2018. These policies have adopted the following key responsibilities of the legislation:

- Active consent needs to be obtained from individuals for all communication in the first instance
- An individual has the right to privacy, hence their data should not be shared without their permission to third parties
- Individual have a right to access their data

Members were advised that ESC 44 Best Value Policy is presented with no material change.

Members reviewed each of the policies, noting that there are accompanying procedures for the policies relating to GDPR to ensure adherence to the policy is embedded in the College. It was noted that there were grammatical inaccuracies in some of the policies presented and it was agreed that these would be amended and revised versions presented to the Board in July for approval.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Corporation Board for approval, subject to amendments as discussed

- ESC 81 General Data Protection Policy
- ESC 82 Rights of Individual Policy
- ESC 83 Personal Data Breach Notification Policy
- ESC 84 Data Retention Policy
- ESC 44 Best Value Policy

AC.27.18 TERMS OF REFERENCE AND STANDING ORDERS OF THE AUDIT COMMITTEE: 2018/2019

The Clerk to the Corporation presented a report, which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Standing Orders.

Members reviewed the document, noting the proposed changes, particularly with regard to the exclusion of staff and student governors from membership of the Audit Committee and agreed that there were no further changes necessary.

Members noted the impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Board the Terms of Reference and Standing Orders of the Audit Committee: 2018/2019.

AC.28.18 ANNUAL SCHEDULE OF BUSINESS OF THE AUDIT COMMITTEE: 2018/2019

The Clerk to the Corporation presented a report, which outlined the need to review, on an annual basis, the Committee's Annual Schedule of Business.

Members reviewed the document, which reflected the business conducted during the current year, and agreed that no further changes to the document were required.

Members noted the impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Board the Annual Schedule of Business of the Audit Committee: 2018/2019.

AC.29.18 KPI DASHBOARD

Members discussed issues arising from the KPI Dashboard for Finance: April 2018.

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the same period for the previous 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
- 12 month rolling cashflow forecast

Members were advised that the KPI Dashboard for Finance as at May 2018 is planned to be presented to the Finance and Resources Committee at the end of June.

AGREED

The Audit Committee receives and notes the KPI Dashboard for Finance: April 2018.

AC.30.18 ANY OTHER BUSINESS

Members noted that there was no other business.

AC.31.18 DATES OF SCHEDULED MEETINGS: 2018/2019

Thursday 6 December 2018

Thursday 14 March 2019

Thursday 13 June 2019

All meetings commence at 18.00

SIGNED AS A CORRECT RECORD:



DATE: 6 December 2018

