

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 11 JUNE 2020, VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.30

Present

Alex Hayman	Independent Member	Chair
Rosemary French	Independent Member	
James Marshall	External Co-opted Member	

Apologies for absence

Peter Papanastasiou	Independent Member
Ganesh Kumar	Independent Member

In attendance

Jayne Dickinson	Chief Executive (College Group) Principal ESC
Jyoti Baker	Chief Operating Officer
Kevin Standish	Principal JRC Quality Lead (College Group)
Katharine Patel	External Audit Service: Buzzacott LLP

Clerk to the Committee

Sue Glover	Director of Governance
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AC.13.20 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.14.20 Apologies for absence

Apologies for absence were received from

Peter Papanastasiou	- personal commitments
Ganesh Kumar	- business commitments

Agreed

The Audit Committee agreed to receive the apologies for absence.

AC.15.20 Notification of any other business

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

AC.16.20 Unconfirmed minutes of the meeting of the Audit Committee held on 12 March 2020

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

AC.17.20 Matters arising and action points from the minutes of the previous meeting

The Director of Governance advised that the Post-16 Audit Code of Practice to cover the year 2019-2020 has not yet been issued by the ESFA. The document was expected to be available in June or July and it was agreed the Director of Governance would circulate to the Committee when available highlighting any significant changes.

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

AC.18.20 Risk Management: Summer Term 2020

The Chief Operating Officer presented, for consideration and approval, a report, which provided an update on the assessments and actions for the risks assigned to the Committee:

Members were advised, that the Risk Management Committee, comprising of the Executive and the Senior Leadership team from both colleges, met on 20 May 2020. The strategic risks assigned to the Committee remain as follows:

- AC1 – Failure of the College MIS systems to capture and maintain quality of data and reporting resulting in incorrect information and thus decisions – ‘fundamental’ risk
- AC2 – Severe business disruption – ‘significant’ risk
- AC3 – failure to achieve clean outcomes in College audits – ‘minor’ risk

Members considered and discussed the detail of the highlighted revisions to each of the risks, noting that

- the main risk to the College at this time is the impact of Covid-19
- a new red risk has been added to Risk AC1 relating to the impact Covid-19 will have on College operations, particularly on the enrolment process
- the risk relating to ‘threat of infectious diseases’ remains at red, and the risk score has increased in the summer term due to Covid-19 with a number of actions taken to manage the risk, including
 - monitoring of advice from the Chief Medical Officer and Public Health England, by the Head of Estates and the Executive Team
 - extensive cleaning undertaken around both Colleges
 - review of risk assessments of classrooms, floor markings introduced to mark distance, planning for smaller student numbers, allowing social distancing in classrooms
- Risk AC1.1 – Data collection and recording, whilst the risk remains red, the risk score has been reduced as the MIS team have made significant progress in re-implementing the various systems and data is significantly more reliable

Members agreed that the actions taken to manage the impact of Covid-19 and the measures in place to safeguard staff and students as the College prepares to return to a phased return from 15 June were very appropriate. Members were advised that the areas outside of the College, such as smoking areas, are being managed by College security staff who will continue to reinforce instructions to students regarding the expected level of awareness of Covid-19.

Members were advised that the financial impact of Covid-19 on the College is monitored by the Finance and Resources Committee within their risk register. However, it was noted that the relevant funding agencies have agreed there will be no reconciliations for colleges this year due to Covid-19, thus ensuring the income for the College is secured for this year.

Members noted the key impact measures of the report.

Resolved

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Summer Term 2020 relative to the risks assigned to the Committee

AC.19.20

Internal Audit

The Chief Operating Officer presented a report to update on the Internal Audit programme for the year 2019/20.

Members were advised that

- as there is no change to the Audit Tracker presented at the previous meeting, this is not re-presented at this meeting
- Scrutton Bland were appointed at the last meeting and the following internal audits were planned
 - Subcontracting – early July 2020
 - Key Financial Controls – July/August 2020
 - Risk Management and Governance – June/July 2020
 - Learner Number Systems (Funding Assurance) – July 2020
 - In addition, the College also planned to apply for the Cyber Essential + license
- due to Covid-19, the support teams responsible for these audits have been considerably diverted and remote audits will pose a significant challenge
- Audits driven by legal obligations or essential assurance are planned to take place over the next two months, all other audits have been rescheduled to take place in October 2020

It was noted that the Subcontractor audit is due to take place in early July as scheduled so that certification can be obtained and filed with the ESFA for 31 July as required by the funding rules. It was agreed that the final report would be circulated to the committee outside of the meeting. The Cyber Essentials + is a desk based audit, due to be completed in June, and the certification will give the assurance that networks are secure and stable.

The rescheduling of the rest of the audits to October will ensure their completion before the autumn term meeting and reports presented at that meeting.

Agreed

The Audit Committee agreed that, in the light of the current circumstances due to Covid-19, the arrangements in place for the internal audit programme to cover the year 2019/20 were appropriate

AC.20.20

External Audit Strategy for Financial Statements year ending 31 July 2020

The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Strategy for year ended 31 July 2020.

Members considered the key issues arising from the report:

- Overview of arrangements
- Financial statements and regularity assurance
- Issues of audit significance
- Fees
- Timetable and nature and scope of work

It was noted that, the ESFA has to publish the Post-16 Audit Code of Practice (ACOP) for the current financial year. The College will be informed of any further changes to the audit approach beyond what is highlighted in the document, but it is anticipated that the format will be very similar to the previous year with no significant changes.

The external auditor advised that, the ACOP has yet to be released. They are aware that additional work on gaining positive assurance on the use of funds received from the government is likely to be required. The audit report will explicitly cover for the first time to bring the FE reporting requirements in line with those of the Office for Students. This would be in addition to work on providing a limited assurance conclusion on regularity. This will be reflected in the fee proposal. However, until the ACOP is available this is not yet known and the external auditor would inform the College if there will be any changes to the fee.

As previously agreed, it was reiterated that when the ACOP is available, this would be circulated to the Committee with any changes highlighted and the consequent impact these may have on the financial statements audit.

Members were advised on the key issues of audit significance identified at the pre-audit planning meeting

- Coronavirus, going concern
- Income recognition
- Regularity
- Capital projects
- Bank loan covenants
- Staff costs
- Subcontractor provision
- Management override of controls
- Related party transactions
- Accounting estimates

Members agreed that the audit strategy was appropriate, noting that once the ACOP became available there could be further changes which the Committee would be kept informed of.

Members noted the fee proposal, excluding VAT, for the financial statements audit, including regularity assurance and TPS is £21,250. An additional £1,000 has been included in respect of further work on going concern, as a result of Covid-19 and to give a positive opinion as part of the review. However, as advised the scope of the work and the associated fee will be reconfirmed once the ACOP has been issued by the ESFA.

Resolved

The Audit Committee approves and commends to the Corporation Board for approval and acceptance the External Audit Strategy for the year ending 31 July 2020 and the fee proposal, which will be confirmed once the ESFA has issued its audit guidance

AC.21.20 Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Auditor for 2019/20

The External Auditor presented, for consideration and approval, the terms of engagement between the College and Buzzacott LLP.

Members noted that

- The document was agreed and signed in July 2019
- The document is submitted on an annual basis for consideration and 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 2019/20.

Resolved

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval, without amendment, the Letter of Engagement between the College and Buzzacott LLP

AC.22.20 Terms of Reference and Standing Orders of the Audit Committee for 2020/21

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

Members were advised that, as the Post-16 Audit Code of Practice (ACOP) had not been issued, no changes are proposed to the Terms of Reference at this time. However, these will be reviewed again, in the light of any changes to the ACOP and brought to the attention of the Committee.

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: 2020/21.

AC.23.20 Annual Schedule of Business of the Audit Committee for 2020/21

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

Members were advised that the document has been compiled to include the items of business that need to be addressed by each Committee and items for consideration by the Corporation Board. The Audit Committee is asked to consider the items for business relevant to this committee.

Members reviewed the document and agreed this reflected the business that would need to be conducted by the Committee during the current year.

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: 2020/21.

AC.24.20 Review of College Policies

The Chief Operating Officer presented, for consideration and approval, the following policies:

- OSC37 – Best Value Policy
- OSC34 – Freedom of Information Act 2000 Policy and Publication Scheme
- OSC40 – Fraud Policy

The Committee was advised that

- A regular cycle of reviews ensures that College policies take account of any changes in legislations and remain relevant to College operations
- All policies have been reviewed and approved by the College Directorate

Members reviewed each of the policies, making a number of suggestions to

- better embed value within the Best Value Policy – the Chief Operating Officer agreed that further thought would be given to this and amendments if any, would be presented at the next Audit Committee in the Autumn term
- possibly cross reference the charge referred to in the Freedom of Information Act policy to the relevant section of the Publication Scheme
- strengthen the wording within the fraud policy to better reflect that all cases of fraud would be reported, ie. material and significant. It was noted that there is a Log in place which would be presented to the Committee in the event of any reportable cases of fraud, but were advised that there have been no cases to report to date

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 amendment as discussed

- OSC37 – Best Value Policy
- OSC34 – Freedom of Information Act 2000 Policy and Publication Scheme
- OSC40 – Fraud Policy

AC.25.20 KPI Dashboard

The Committee received the KPI Dashboard for Finance: April 2020, period 9.

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the same period for the prior year for East Surrey College:

- 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

Agreed

The Audit Committee receives and notes the KPI Dashboard for Finance: April 2020, period 9.

AC.26.20 Any Other Business
There was no other business.

AC.27.20 Dates of Scheduled Meetings: 2020/21
Thursday 3 December 2020
Thursday 11 March 2021
Thursday 10 June 2021

All meetings commence at 18.00

SIGNED AS A CORRECT RECORD:

A handwritten signature in black ink, appearing to read "Alex Hume", with a horizontal line underneath the name.

DATE: 3 December 2020