

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 12 MARCH 2020 BOARDROOM, JOHN RUSKIN COLLEGE, CROYDON

Meeting commenced: 18.00

Meeting ended: 19.15

Present

Alex Hayman	Independent Member	Chair
Andrew Gilchrist	Independent Member	
Rosemary French	Independent Member	
Patrick Waller	External Co-opted Member	(via teleconference)

Apologies for absence

Ganesh Kumar	Independent Member
Peter Papanastasiou	Independent Member
Jyoti Baker	Chief Operating Officer

In attendance

Andrew Baird	Chair of the Corporation
Jayne Dickinson	Chief Executive (College Group) Principal ESC
Kevin Standish	Principal JRC/Quality Lead (College Group)
Mike Burgess	Head of MIS
James Marshall	External Co-opted Member designate

Clerk to the Committee

Mrs Sue Glover	Director of Governance
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The Chair of the Committee welcomed James Marshall, who is taking over as the external co-opted member of the Audit Committee from Patrick Waller who would be retiring after this meeting.

AC.01.20 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.

Andrew Gilchrist declared that he has recently been appointed as a governor at Brooklands College.

Andrew Baird declared that, as part of his role with the FE Commissioner's National Leaders of Governance team, he has been seconded to Brooklands College as the interim Chair. He is also part of the Educational Administrators' team working with Hadlow College. In addition, he is known to a company associated with Scrutton Bland, who are being considered as the College's internal audit providers at this meeting.

There were no other declarations of interest.

AC.02.20**Apologies for absence**

Apologies for absence were received from

Ganesh Kumar	- business commitments
Peter Papanastasiou	- business commitments
Jyoti Baker	- personal commitments

Agreed

The Audit Committee agreed to receive the apologies for absence.

AC.03.20**Notification of any other business**

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

AC.04.20**Unconfirmed minutes of the meeting of the Audit Committee held on 5 December 2019**

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

AC.05.20**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.06.20**Risk Management: Spring Term 2020**

The Head of MIS 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 College Risk Management Committee, comprising of the Executive and the Senior Leadership team from both colleges, met on 13 February 2020. The two strategic risks assigned to the Committee remain, with a third new risk added, 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 (new risk) – failure to achieve clean outcomes in College audits – ‘minor’ risk

Members considered and discussed the detail of the report and, in response to questions, were advised that

- the MIS team have made significant progress in re-implementing the various systems and ensuring that the impact on students is minimised following the cyber-attack, however, there is still a considerable amount of work that needs to be done, but there are signs of stability with a number of reports being made available, such as attendance data, and all returns have been filed on time
- MIS is almost fully staffed and, whilst it will take time to fully train and see the benefits, new recruits are capable and from various related backgrounds
- the risk relating to ‘threat from cyber-attack’ has been reduced from Red to Amber due to the various measures now in place and, whilst the inherent risk remains at the highest level, the residual risk level has been reduced
- the risk relating to ‘failure of IT equipment’ has been reduced due to a significant element of the ESC estates being refreshed,
- the risk relating to ‘threat of infectious diseases’ has been increased from green to red due to the current Coronavirus outbreak.

The Committee recognised the seriousness of the current Coronavirus situation, which is constantly changing at this time and were advised that the College is monitoring advice from the Chief Medical Officer and Public Health England. Implementation of advice is being tightly managed in order that communication and actions are controlled so that staff, students and stakeholders are kept well informed. All governors are also being kept informed of actions being taken by the College.

Members accepted that the situation will undoubtedly have a significant impact on the business of the College in the short to medium term, and agreed that the College is taking all appropriate actions in these circumstances to manage the situation.

The Committee asked that thanks are passed to the MIS team for all their hard work in rebuilding and re-implementing college systems following the recent cyber-attack. In addition, the Chair of the Corporation asked that thanks on behalf of the whole Board are recorded for all the work done by MIS.

Members noted the key impact measures of the report.

Resolved

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

AC.07.20 Post-16 Audit Code of Practice 2019 to 2020

The Director of Governance gave an update on the latest version of the Post-16 Audit Code of Practice.

Members were reminded that the Code sets out a common standard for the provision of assurance in relation to funding of post-16 providers, setting out

- The overarching assurance arrangements for post-16 provider
- The specific responsibilities within the assurance framework for sixth-form and further education corporations, and their external auditors/reporting accountants

The Committee was advised that the updated version for 2019-20 has not been issued by the ESFA and it was agreed that the guidance set out in the previous version would continue to be followed until a revised version was available.

Agreed

The Audit Committee agreed to receive and note the update

AC.08.20 Review of outstanding audit items

The Committee received for information and consideration the audit tracker, which reported on outstanding audit issues.

Members reviewed the detail of the report, noting the progress of the recommendations following internal audits during 2018/19.

It was noted that a number of recommendations have now been completed, but there appeared to be an anomaly to the proposed revision to the deadline dates for the recommendations relating to the 'Compliance Review of Subcontractors' and the 'Compliance Review of Learner Numbers'. The Committee agreed that a revised deadline was appropriate, but asked if the document could be amended to reflect the revised deadline and circulated to members outside of the meeting.

Agreed

The Audit Committee agreed to receive and note the report, subject to being amended as discussed

AC.09.20 Internal Audit Arrangements

The Head of MIS presented, on behalf of the Chief Operating Officer, the proposals for internal audit arrangements.

Members were reminded that the Board had approved the proposals for internal audit arrangements at the meeting in December 2019 to appoint internal auditors in the Spring Term to carry out audits in the summer term. It was agreed that a series of audits would be undertaken between June to September, which would provide the Board with timely assurance regarding the controls and processes enabling the sign-off of the financial statements, as follows:

- Key Financial Controls
- Learner Number Systems
- Subcontracting (ESFA requirement)
- Risk and Governance

The Committee was advised that the College approached three reputable Internal Audit companies who provided proposals and quotations, inclusive of VAT, as follows

- Scrutton Bland - £13,860
- RSM - £17,928
- Mazars - £17,820

Members reviewed the detail of each proposal and agreed that Scrutton Bland provided the most competitive quote across the four audits requested and, in response to questions, were advised that Scrutton Bland have

- a proven track record of delivering high quality audits with many years' experience in the FE sector
- they have strong links with the ESFA, with their Head of Internal Audit being an active member of the ESFA's FE Auditors Forum
- their proposal for the Learner Number Systems audit involved the completion of a mock ESFA Funding Audit, which is much more closely aligned to the requirements of the College Group than the controls based approach taken in previous audits
- the necessary resources to conduct all four audits in time to meet the College Group's statutory deadlines (subcontracting) and to provide assurance ahead of the signing off of the 2019/20 financial statements

The Committee agreed that Scrutton Bland is appointed to undertake the internal audits proposed. However, it was not clear from the proposal which two years the Risk and Governance internal audit would span and the Committee asked if this could be clarified and confirmed outside of the meeting.

The Committee was advised that, in addition, the College will be undertaking the Cyber Essentials certification in March and penetration testing by an external organisation in the summer term. The cost of these services is anticipated to be circa £5,500.

Resolved

The Audit Committee approves and recommends to the Corporation Board for approval the appointment of Scrutton Bland to conduct internal audits as discussed.

AC.10.20 KPI Dashboard

The Committee received the KPI Dashboard for Finance: January 2020, period 6.

Members reviewed the KPI Dashboards reflecting the 31 January management accounts:

- 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: January 2020, period 6.

AC.11.20 Any Other Business

The Chair of the Committee reminded members that this meeting was the last meeting for retiring members Andrew Gilchrist and Patrick Waller. The Committee took the opportunity to thank them both for all their hard work and contribution to the Committee and the College during their term of office.

There was no other business.

AC.12.20 Dates of scheduled meetings: 2019/20

Thursday 11 June 2020

All meetings commence at 18.00

At the conclusion of the Part 1 meeting, the Committee moved into a meeting restricted, in accordance with the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Committee, the External Co-opted Member of the Audit Committee and to the senior postholders.

SIGNED AS A CORRECT RECORD:

DATE: 11 June 2020

