

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 17 MARCH 2022, VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.00

Present

Alex Hayman	Independent Member	Chair
Ganesh Kumar	Independent Member	
Grace Marriott	Independent Member	
James Marshall	External Co-opted Member	

Apologies for absence

Peter Papanastasiou	Independent Member
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In attendance

Jayne Dickinson	Chief Executive
Jyoti Baker	Chief Operating Officer
Lindsay Pamphilon	Principal
Eva Dixon	Chief Operating Officer designate
Mitzi Gibson	Executive Director HR & Professional Development

Clerk to the Committee

Sue Glover	Director of Governance
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AC.01.22 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.

There were no declarations of interest.

AC.02.22 Apologies for absence

Apologies for absence were received from

Peter Papanastasiou - personal commitments

Agreed

The Audit Committee agreed to accept the apologies for absence.

AC.03.22 Notification of any other business

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

AC.04.22 Unconfirmed minutes of the meeting of the Audit Committee held on 2 December 2021

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

AC.05.22 Matters arising and action points from the minutes of the previous meeting
The schedule of action points from the minutes of the last meeting was reviewed, noting that the RAG rated table being produced, which identified the sources of assurances, will remain as an action point until it is presented to the summer term meeting of the committee.

Members noted that all other action points arising from the meeting have been addressed to the satisfaction of the Committee and there were no other matters arising from the meeting.

AC.06.22 Fraud, Irregularity and Whistleblowing matters
The Committee was advised that there were no matters to report.

AC.07.22 Risk Management: Spring Term 2022
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.

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 – ‘significant’ (amber) – no change
- AC2 – Severe business disruption – ‘significant’ (amber) risk – no change

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

- Risk AC3 – ‘failure to achieve clean outcomes in College audits’ has been removed from the register following agreement at the previous meeting as the Committee considered that the mitigating actions and controls associated with this risk are covered under other risks on the register
- Contributing risk AC2.7 relating to infectious diseases is reduced from ‘red’ to ‘amber’
- There are no other changes to the RAG rating in the contributing risks

In discussion, members were advised that AC2.7 had been reduced in line with government policy regarding Covid-19. However, the College continues to adopt a prudent approach of requesting self-isolation from staff and students who test positive and, whilst there are a number of staff currently self-isolating, this is not causing undue disruption and the situation remains manageable.

The Committee agreed that the proposed changes to each of risks on the register were appropriate and there were no further changes required.

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 2022 relative to the risks assigned to the Committee

Internal Audit

AC.08.22 **Review of outstanding audit items – Audit Tracker**

The Chief Operating Officer presented, for information, the audit tracker, which reported on outstanding audit issues.

Members reviewed the detail of the report, noting the progress of recommendations. A total of 16 recommendations have been received since 2019/20 to date, 2 are outstanding, which will be reviewed and updated.

The most recent internal audits in 2021/22, Business Continuity and General Ledger, have received 'green' outcomes, with 3 low level recommendations and are presented under the next agenda item.

Members reviewed the detail of the audit tracker and, in response to questions, were advised that the issues raised during the previous Learner Number Systems Apprenticeships internal audit relating to the Skills Scans have all been followed through and are now embedded in the recruitment process. It is anticipated that the MIS audit planned in the next round of internal audits will be a positive outcome, although recommendations are expected.

AC.09.22 **Risk and Assurance Progress Report 2021/22 – March 2022**

Members received the Progress Report prepared by Scrutton Bland, noting the planned and completed internal audits for 2021/22.

Members were advised that the Payroll audit is in process with a substantially positive outcome anticipated. The report will be presented at the next meeting.

The Management Information audit was planned for April 2022, but members were advised that the College has decided to delay this until the new incoming Chief Operating Officer has had an opportunity to review the scope of the audit and consider whether the areas included may be covered elsewhere, thus releasing some 'audit days'. The Committee agreed that this was a prudent approach.

AC.10.22 **Risk and Assurance Reports**

The Committee received the following Risk and Assurance Reports:

- Business Continuity
- General Ledger

Business Continuity (draft)

The Committee reviewed the detail of the report, noting:

Assurance Opinion: Significant 'governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively'. There are some areas where the adequacy or operation of controls in practice should be improved further.

Two low recommendations had been made, one of which has now been completed and the other, relating to the document being updated of when aspects of the plan will be tested, is in hand. Members were advised that scenario testing is regularly undertaken by the College and that the dates for doing so are to be agreed.

General Ledger (final)

The Committee reviewed the detail of the report, noting:

Assurance Opinion: Strong 'governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively'.

One low level recommendation had been made relating to the service level agreement (SLA) in place in respect of the production of management accounts.

In discussion, members were advised that the SLA is to be considered by the COO and finance team to agree more realistic timelines for month end. It was agreed that the Committee would be updated in this regard at the next meeting.

Resolved

The Audit Committee receives and accepts the

- Audit Tracker
- Final internal audit reports for
 - Business Continuity
 - General Ledger
- Risk and Assurance Progress Report 2021/22 – March 2022

AC.11.22 Reappointment of External Auditor

The Chief Operating Officer presented, for consideration and approval, a report detailing the reappointment of the current external auditors, an evaluation of their performance and confirmation of their fee proposal.

Members were advised that

- the current external auditors, Buzzacott, were appointed in March 2019 for a 3-year term, which they have now completed with the College
- best practice indicates that auditors are reviewed every three years and the service retendered at least every five years
- the College has a constructive relationship with the auditors and they have proven to be knowledgeable and effective during their audits

The Committee reviewed the fee proposal from Buzzacott, noting that

- the proposal includes a price increase of £3,500, an increase of 12% on the previous contract
- the rationale from Buzzacott for the increase is
 - *'although the total fee proposed for 2021/22 represents an uplift in excess of inflation, this reflects the increase regulatory requirements that have been imposed upon us in recent years from both the ESFA and OfS in terms of reporting and also in our profession's auditing regulations, as well as additional work required in relation to the audit of funding income. These changes have not been fully reflected in our fees to date and, as a result, we have written off increasing amounts of our time over the period of the contract'*

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

- Buzzacott have benchmarked their fees against other clients in the sector and believe them to be reasonable
- The College benchmarking information via the Finance Directors JISC mail also indicates the price increases are in line or better than the market
- There are a number of colleges currently retendering their external audit provision and the number of external auditors who are available has reduced

Members reviewed the evaluation of the external auditor's performance over the 3 year term and considered that Buzzacott had provided an excellent service to the College during this period.

In discussion, members agreed that it would be prudent to reappoint Buzzacott for a further 2 years rather than go out to tender now, particularly as there are a number of college's currently retendering and the pool of available auditors is reducing. It would also give the new Chief Operating Officer an opportunity to settle into the role without having to consider retendering for new external auditors. Buzzacott have provided an excellent service during their 3 year term and having continuity for a further 2 year period would also give additional assurance to the Board. However, the Committee asked if the fee could be capped for the 2 year period and it was agreed that the Chief Operating Officer would discuss this with Buzzacott.

Resolved

The Audit Committee approves and recommends to the Corporation Board for approval the reappointment of Buzzacott as the College's external audit service for a further 2 year term

AC.12.22 KPI Dashboard

The Committee received the KPI Dashboard for Finance: January 2022, period 6.

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
- 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 2022, period 6.

AC.13.22 Any Other Business

As this was the last meeting with the Committee by the Chief Operating Officer before she left the College, the Chair took the opportunity, on behalf of the Committee, to thank her for all her hard work and contribution to the Committee and to the Board. All members wished her well for the future.

There was no other business.

AC.14.22 Dates of Scheduled Meetings: 2021/22

Thursday 16 June 2022

All meetings commence at 18.00

As there was no further business, the Chair declared the meeting closed.

SIGNED AS A CORRECT RECORD:

DATE: 16 June 2022

