

Meeting commenced: 18.00

Meeting ended: 19.15

PRESENT

| | | |
|---------------------|--------------------------|-------|
| Dr Andrew Gilchrist | Independent Member | Chair |
| Ms Rosemary French | Independent Member | |
| Mr Alex Hayman | Independent Member | |
| Mr Colin Monk | Independent Member | |
| Mr Patrick Waller | External Co-opted Member | |

IN ATTENDANCE

| | |
|---------------------|--|
| Mr Andrew Baird | Chair of the Corporation |
| Mrs Jayne Dickinson | Principal and Chief Executive |
| Mr Kevin Standish | Deputy Principal: Curriculum and Standards |
| Mrs Jyoti Baker | Vice Principal: Finance and Resources |
| Mr Subarna Banerjee | UHY Hacker Young: External Audit Service |
| Mr Will Barnard | TIAA Internal Audit |

CLERK

| | |
|----------------|--------------------------|
| Mrs Sue Glover | Clerk to the Corporation |
|----------------|--------------------------|

AC.33.18 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.34.18 APOLOGIES FOR ABSENCE
There were no apologies for absence.

AC.35.18 NOTIFICATION OF ANY OTHER BUSINESS
Members agreed that there was no other business to be considered.

AC.36.18 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 14 JUNE 2018
The minutes of the meeting were approved and signed as a correct record.

AC.37.18 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.

AC.38.18 FINAL INTERNAL AUDIT REPORTS

The internal audit provider, TIAA, presented, for consideration and approval, the final report for the Compliance Review of Sub-contractors, September 2018.

Members were advised that

- The review was to provide assurance that there are adequate subcontracting controls for ensuring that appropriate measures are in place over the appointment, monitoring and funding of sub-contractors
- The testing of controls has been carried out in line with the guidance issued by the Education Skills Funding Agency

Members noted the conclusion of the report and that no recommendations have been made following the review.

'The College continues to have controls and processes in place to meet the general ESFA requirements for Sub-contracting arrangements. The key highlights from the review are summarised:

- *The College has controls and processes in place to ensure selection and procurement of appropriate Sub-contracting partners*
- *The College has controls and processes in place to enter into Sub-contracting arrangements and make the appropriate declarations*
- *There are controls and processes in place to adequately monitor and report Sub-contracting provision*
- *There are controls and processes in place for ensuring that Sub-contractor Fees and Charges Policy is regularly reviewed and kept up to date'*

In discussion, members queried the date of the contract with the Workers Educational Association (WEA) as it would appear that this had been signed before it was approved by the Corporation Board. The Committee was advised that the contract had been signed after approval by the Corporation Board. The draft of the contract had been sent to WEA for review and the earlier date had been included in the report in error. TIAA agreed to amend the report and reissue a corrected version.

RESOLVED

The Audit Committee approves the Internal Audit Report for the

- Compliance Review of Sub-contractors (subject to the amendment noted above).

AC.39.18 STRATEGIC RISK INSIGHT SURVEY

The internal audit provider, TIAA, presented for information a summary of key results from their Strategic Risk Insight Survey.

It was noted that the survey identified some interesting results and provided insight into the current view of strategic risks across the sector. Members agreed that it was a very useful document, which demonstrated a number of different views when comparing the assessment of risks by Executives and non-executive Audit Committee Chairs.

AGREED

The Audit Committee agreed to receive and note the report.

AC.40.18 EXTERNAL REPORT TO THE AUDIT COMMITTEE: YEAR ENDED 31 JULY 2018

The External Auditor presented its Report to the Audit Committee: Year Ended 31 July 2018.

The Committee considered the detail of the Report, in particular

- Audit scope, roles and responsibilities
- Audit independence
- Conduct of the audit
- The risks of error in the financial statements
- Regularity opinion
- Deficiencies in internal control and recommendations
- Summary, adjustments and audit report
- Going Concern

Members were advised

- At the current date the external auditor expects to be in a position to issue an unqualified audit report on the financial statements of the College
- A draft of the proposed letter of representation is attached as an appendix to the report

The external auditor was advised that those attending the meeting were not aware of any instances of fraud or irregularity at the College during the year, or thereafter to the date of the meeting.

In discussion, members were advised that good controls continue to be in place at the College and the external auditor took the opportunity to thank the finance staff for their assistance during the audit. The Committee agreed to accept the report which will be presented to the Corporation Board on 13 December 2018.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval

- The Report to the Audit Committee: Year Ended 31 July 2018

AC.41.18 ANNUAL REPORT AND FINANCIAL STATEMENTS: 2017/18

The Vice Principal: Finance and Resources presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2018.

The attention of members was drawn to

- Report of the Governing Body
- Statement of Corporate Governance and Internal Control
- Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of East Surrey College
- Reporting Accountant's Assurance Report on Regularity

Members reviewed each section, suggesting some changes to be made to the section relating to the pension so that a final version is presented to the Board on 13 December 2018.

Members noted that the Finance and Resources Committee had given initial consideration to:

- Statement of Comprehensive Income
- Statement of Changes in Reserves
- Balance Sheet
- Statement of Cash Flow
- Notes to the Financial Statements

Members were advised that

- The College generated a surplus on continuing operations of £1.156m
- The College is expected to receive a clear financial statements and regularity audit report
- The Reporting Accountant is UHY Hacker Young

Members noted the key points

- Key management personnel and professional advisors are referred to at the start of the report
- Some wording related to the College's Strategic Statement targets are required to be completed and will be reviewed following the Performance Reviews taking place in December

Members noted that it was the opinion of the Financial Statements Auditor that the financial statements

- *Give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's surplus of income over expenditure for the year then ended;*
- *Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;*
- *Have been prepared in accordance with the SORP 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and the College Accounts Direction 2017 to 2018.'*

Members also noted the conclusion given by the Regularity Auditor that

'in the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'

RESOLVED

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval

- The Statement of Accounting Policies
- The Report and Financial Statements for the year ended 31 July 2018

AC.42.18

REGULARITY AUDIT SELF ASSESSMENT QUESTIONNAIRE

The Vice Principal: Finance and Resources presented, for consideration and approval, the College's Regularity Audit Self Assessment.

The Committee was advised that Self Assessment formed the basis of the separate external audit and regularity audit opinions.

Members noted that

- The Self-Assessment confirms the actions the College undertakes regularly to verify that its expenditure is appropriate and in accordance with relevant rules and guidance
- The Self-Assessment has been reviewed by the external auditor as part of their year end audit function
- The Principal and Chief Executive and the Chair of Governors are required to sign the Regularity Audit Self- Assessment for 2017/18 on behalf of the College

RESOLVED

The Audit Committee endorses and commends the Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2018 to the Corporation Board for acceptance and approval

AC.43.18 LETTER OF REPRESENTATION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2018.

Members noted the detail of the Letter of Representation which will be presented to the Corporation Board on 13 December 2018.

RESOLVED

The Audit Committee endorses and commends to the Corporation for acceptance and approval the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2018

AC.44.18 ANNUAL REPORT OF THE AUDIT COMMITTEE: 2017/18

The Clerk to the Corporation presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2017/18.

Members were advised that

- the Audit Committee is required to provide an annual report to the Board and to the Principal and Chief Executive, which outlines the work undertaken by the Committee, and how the Committee has fulfilled its responsibilities as set out in its Terms of Reference and Standing Orders
- the Annual Report of the Audit Committee is required to be submitted to the funding agency together with the Annual Report and Financial Statements

Members considered the details of the Report, with particular reference to

- Clause 7 – Internal Audit
- Clause 8 – Financial Statements Audit
- Clause 9 – Regularity Audit
- Clause 10 – Risk Management
- Clause 13 – Assessment of the Audit Committee's own effectiveness
- Clause 14 – Conclusion

Members discussed the detail of the report, noting that the internal audit provider had issued an Annual Summary of Assignments Completed in place of an Annual Internal Audit Report including an annual internal audit opinion. This was expected, as the Committee had previously agreed to the removal from the internal audit plan 2017/18 of some areas considered to be adequately covered by external audit. The Committee continues to be satisfied that it has adequate sight of the risk management and governance processes, and consequently an opinion from the internal auditor was not necessary.

The Committee agreed there was nothing further to add to the report, which will be presented to the Board at the meeting scheduled for 13 December 2018

The Committee noted the key impact measures of the report.

RESOLVED

The Audit Committee approves the Annual Report of the Audit Committee to the Corporation Board and to the Principal and Chief Executive, and commends the report to the Board for acceptance and approval.

AC.45.18

ANNUAL RISK MANAGEMENT REPORT: 2017/18

The Vice Principal: Finance and Resources presented, for consideration and approval, the Annual Risk Management Report: 2017/18.

The Committee was advised of its responsibility

- to oversee the College's risk management process in accordance with its Terms of Reference
- in accordance with the Post-16 Audit Code of Practice, to provide, in its annual report, an opinion on the adequacy and effectiveness of the College's risk management

Members considered the detail of the Report, noting

- The work of the College's Risk Management Committee
- The College's previous two years of Governance and Risk Management audits have resulted in a 'substantial assurance'
- Strategic Risk
- Corporation responsibilities for risk
- Management of risks
- Conclusion

The Committee noted the key impact measures of the report.

RESOLVED

The Audit Committee endorses and commends the Annual Risk Management Report: 2017/18 to the Corporation Board for acceptance and approval.

AC.46.18

RISK MANAGEMENT: AUTUMN TERM 2018

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

- The college risk review process for the Autumn Term 2018
- The monitoring of the following risks
 - Risk S9: Severe business disruption
 - Risk 03: Failure to maintain timely and accurate student data

Members were advised that the risk register had been reviewed and updated by the College's Risk Management Committee to ensure the risks reflected the challenges facing the College in 2018/19 and beyond.

Members considered and discussed:

- Risk S9: Severe business disruption – 'minor risk', no change.
- Risk 03: Failure to maintain timely and accurate student data – 'fundamental risk', no change.

It was agreed that the risk under Risk O3 associated with the difficulty in recruiting and retaining MIS staff is reduced to Amber as the team is currently fully staffed and will remain Amber as the new members of the team require training and their depth of knowledge developed

Members noted the key impact measures of the report.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board the Risk Register Audit Risks: Autumn Term 2018 for acceptance and approval.

AC.47.18

COLLEGE STRATEGIES

The Vice Principal: Finance and Resources presented, for consideration and approval, a report relating to the review and update of

- **ESC 43 Risk Management Strategy and Policy**

The Committee was reminded that the previous review had resulted in the Risk Management Strategy being combined with the Risk Management Policy into one document as there was a significant overlap of the two documents.

Members were advised that the document has been reviewed having taken into account the merger with John Ruskin College and the principles, structures, monitoring and management are considered sufficiently robust for the new merged organisation. It is anticipated that the document will be re-presented for approval, post-merger, in the summer term.

Members reviewed the highlighted changes and agreed there were no further changes required.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Corporation Board

- **ESC 43 Risk Management Strategy and Policy**

AC.48.18

VALUE FOR MONEY

The Vice Principal: Finance and Resources presented, for information and consideration, a report on Value for Money.

Members were reminded that one of the Strategic Aims of the College is '*to generate strong finances to enable future investment and sustainability*' and to underpin this aim, the College continues to ensure Value for Money in the use of public funds.

Members reviewed the following key areas identified in the report as being of particular importance in assessing value for money:

- Staff Utilisation
- Class Sizes
- Large Contract Procurement

Members discussed the key areas of the report, noting

- Staff utilisation is regularly reviewed by the Executive and the Director of HR to ensure that established teaching staff operate close to or at 100% of their contracted hours
- Reporting of class size through the MIS reporting systems ensures non-compliance can be followed up

- All quotations and tenders for large contract procurement continue to be obtained in accordance with the Financial Regulations

Members noted the impact measures arising from the report.

The Committee requested that an assessment of classroom utilisation be added to the report.

AGREED

The Audit Committee receives and notes the report.

AC.49.18

CODE OF GOOD GOVERNANCE FOR ENGLISH COLLEGES

The Clerk to the Corporation presented, for information, a report outlining the College's Audit Review of Compliance with the Code of Governance for English Colleges.

The Committee was reminded that

- The Code of Good Governance for English Colleges was adopted by the College at the meeting of the Corporation Board held on 9 July 2015 and implemented with effect from 1 August 2015
- This Code replaces the previous English College's Foundation Code of Governance
- The Audit and Accountability Annex related to the previous Code and has been confirmed redundant by the AoC as the new Code contains a section on Finance and Audit

Members reviewed the document, making some further minor amendments, and noted that the Search and Governance Committee have approved this for endorsement by the Corporation Board at the meeting to be held on 13 December 2018.

The Committee noted the key impact measures arising from the report.

AGREED

The Audit Committee receives and notes the report.

AC.50.18

ANNUAL REVIEW OF THE BUSINESS OF THE AUDIT COMMITTEE

The Clerk to the Corporation presented a report, which provides a review of the Action Points arising from the meetings of the Committee during 2017/18.

Members were reminded that, following each meeting of the Committee, a list of Action Points arising from the meeting is drawn-up and, at the next meeting, the list is reviewed in order to ensure that the appropriate action has been, or is being, taken.

The Committee was advised that the purpose of the report was to ensure that appropriate progress has been made against each of the identified actions required by the Committee.

Members agreed that all Action Points had been fully addressed to the satisfaction of the Committee.

The Committee noted the key impact measures arising from the report, in particular the Strategic and Risk implications.

AGREED

The Audit Committee receives and notes the report.

AC.51.18 KPI DASHBOARD

The Committee received and reviewed the Finance KPI Dashboard to 31 October 2018 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
- 12 month rolling cashflow forecast

AGREED

The Audit Committee receives and notes the KPI Dashboard for Finance at 31 October 2018.

AC.52.18 ANY OTHER BUSINESS

There was no items of any other business.

AC.53.18 DATES OF SCHEDULED MEETINGS: 2018/19

Thursday 14 March 2019

Thursday 13 June 2019

All meetings commence at 18.00

AC.54.18 MEETING OF THE EXTERNAL AUDITOR WITH THE AUDIT COMMITTEE

The external auditor advised members that there were no issues to raise and that he did not wish to meet with the Committee 'in camera' to discuss any matters.

At the conclusion of the Part 1 meeting, members 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 Corporation Board, the external co-opted member of the Audit Committee and to senior members of staff of the College.



SIGNED AS A CORRECT RECORD

DATE: 14 March 2019

