

## THE CORPORATION OF EAST SURREY COLLEGE

### AUDIT COMMITTEE

MEETING HELD ON THURSDAY 13 JUNE 2019  
BOARDROOM, REDHILL

Meeting commenced: 18.10  
Meeting ended: 19.25

#### PRESENT

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

#### APOLOGIES FOR ABSENCE

Mr Peter Papanastasiou	Independent Member
Mr Kevin Standish	Principal JRC Quality Lead (College Group)

#### IN ATTENDANCE

Mr Andrew Baird	Chair of the Corporation
Mrs Jayne Dickinson	Chief Executive (College Group) Principal ESC
Mrs Jyoti Baker	Chief Operating Officer
Mr Michael Townsend	Internal Audit Service: TIAA
Mr Clarence Mpofu	Internal Audit Service: TIAA
Ms Katharine Patel	External Audit Service: Buzzacott LLP

#### CLERK TO THE COMMITTEE

Mrs Sue Glover	Director of Governance
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#### AC.15.19 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.16.19 APOLOGIES FOR ABSENCE

Apologies for absence were received from

Peter Papanastasiou	- personal commitments
Kevin Standish	- business commitments

#### AGREED

The Audit Committee agreed to receive the apologies for absence.

#### AC.17.19 NOTIFICATION OF ANY OTHER BUSINESS

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

**AC.18.19 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 14 MARCH 2019**

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

**AC.19.19 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.20.19 RISK MANAGEMENT: SUMMER TERM 2019**

The Chief Operating Officer presented a report which provided an update on:

- the College risk review process for the Summer Term 2019
- the monitoring of the following risks
  - Risk S9: Severe business disruption – ‘minor’ risk
  - Risk O3: Failure to maintain timely and accurate student data – ‘fundamental’ risk

Members were advised that

- the Risk Management Committee met on 23 May 2019 and was the first joint meeting of the two colleges
- the JRC risks were reviewed and incorporated into the ESC register as overall both colleges share common risks

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

- Risk 03 - Contributing Factor (CF) 2 – ‘failure to record apprenticeship enrolment and track data’ has reduced from red to amber as significant work has been undertaken and the MIS and business development processes are embedded within the departments across the college. The recent internal audit for Learner Numbers included the enrolment process for Apprenticeships when ‘substantial assurance’ had been received
- Risk S9 – CF 5 – ‘Health and Safety enforcement’ – has been raised to amber in the light of heightened awareness surrounding the perceived increase in drug use and knife crime
- Risk S9 – CF 7 - the risk associated with the JRC merger has been deleted as the merger has now been completed and all remaining risks from this area have been transferred to other areas

In response to questions relating to the perceived increase in drug use and knife crime, members were advised that the College has increased security monitoring by employing a security officer and engaging with the local police, the council and schools and colleges. A drugs detection exercise with the police and sniffer dogs has also been conducted at ESC which was well received by the students. It is the intention that this exercise will be conducted at JRC and ESC as a planned action in the next academic 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 2019 relative to the risks assigned to the Committee

#### **AC.21.19 INTERNAL AUDIT PROGRESS REPORT: JUNE 2019**

The Internal Auditor presented an update on progress relative to the Internal Audit Plan for 2018/19.

The status of the following internal audits were noted:

- Risk Management – deferred from summer term 2018/19 to the autumn term 2019/20
- Learner Numbers, ICT Security GDPR compliance and Key Financial Controls have been completed and the final reports presented at this meeting
- Follow up work scheduled to be undertaken in the autumn term
- Subcontractors return for 2018/19 has to be filed for 31 July. The audit is due to take place in early July.

#### **AGREED**

The Audit Committee agreed to receive and note the Internal Audit Progress Report: June 2019

#### **AC.22.19 INTERNAL AUDIT REPORTS**

The Internal Auditor, TIAA, presented for consideration the final reports for the following internal audit reviews.

##### **ICT Review of GDPR Compliance**

Members reviewed the detail of the report, noting

- Overall Assurance Assessment – *‘reasonable assurance’ – ‘the system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved’*
- 4 important, 4 routine and 3 operational action points raised
- No urgent action points raised

Members reviewed the action plan in place to address the action points raised, noting that the amalgamated policies and procedures for East Surrey and John Ruskin College have been written, with formal approval being due at the next round of Committee meetings.

##### **Assurance Review of Key Financial Controls**

Members reviewed the detail of the report, noting

- Overall Assurance Assessment – *‘substantial assurance’ – ‘there is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved’*
- 3 routine and 2 operational action points raised
- No urgent or important action points raised

Members reviewed the action plan in place to address the action points raised, noting that recommendations have been made to further strengthen the financial control arrangements.

In discussion, the COO informed the Committee that initially the assurance given by the Internal Auditors was ‘Reasonable’. Two recommendations that were removed from the final report were:

- The level of debtors being higher in January than in July 2018 – the COO and Michael Townsend ‘TIAA’ after discussion agreed that this was not a valid comment and it was removed from the final report
- The single tender action (STA) list should be presented to the Governors although they were in compliance with the financial regulations.

The COO was of the opinion that the value of the STAs was an operational matter, the value of the orders was below £5k and there was no concern with regard to fraud. This recommendation was also removed from the final report.

The assurance level was changed to 'Substantial Assurance'.

### **Compliance Review of Learner Numbers**

Members reviewed the detail of the report, noting

- Overall Assurance Assessment – '*substantial assurance*' – '*there is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved*'
- 4 routine and 1 operational action points raised
- No urgent or important action points raised

Members reviewed the action plan in place to address the action points raised.

The Committee commented on the apparent turnaround in the department as the previous report for 2017/18 had a significant number of recommendations. The manner in which this audit was performed was to be subject to further consideration under the restricted meeting to take place immediately after the regular meeting.

### **RESOLVED**

The Audit Committee accepts the final internal audit reports for

- ICT Review of GDPR Compliance
- Key Financial Controls
- Learner Number Systems

## **AC.23.19**

### **AUDIT STRATEGY AND ANNUAL INTERNAL AUDIT PLAN FOR 2019/20**

The Internal Auditor presented, for consideration and approval, the proposed Audit Strategy and Annual Internal Audit Plan for 2019/20.

Members reviewed the key sections of the document:

- Overview – internal audit plan
- Risk analysis
- Rolling strategic plan
- Annual Plan – 2019/20
- Audit Remit
- Assurance mapping

Members were advised that

- the audit plan for 2019/20 has been informed by a risk assessment carried out across all TIAA's clients and by an updated audit risk assessment of ESC to ensure that planned coverage for the year is focused on the key audit risks to enable a summary Head of Internal Audit Opinion to be provided
- the key areas identified which require consideration when planning internal audit coverage
  - income pressure and financial sustainability
  - Data Protection Act 2018
  - Cybercrime
  - Health and Safety compliance
- the areas planned for review in 2019/20 at ESC are
  - Risk Management
  - Key Financial Controls
  - HR Management Arrangements
  - Subcontractors
  - ICT, including Cyber Security

Members noted that the proposed number of days for 2019/20 is 30, reducing to 25 for 2020/21. The Committee was advised that the number of days and scope will continue to be under review and subject to any emerging risks at the time. Members commented that there had been a rise in the number of days for 2018/19. It was explained that this is due to the inclusion of John Ruskin in the audit plan from 1 February 2019.

#### **RESOLVED**

Subject to the discussion under the restricted section, the Audit Committee approves and recommends to the Corporation Board for approval the Audit Strategy and Annual Internal Audit Plan for 2019/20

#### **AC.24.19 INTERNAL AUDIT LETTER OF ENGAGEMENT FOR 2019/20**

The Internal Auditor presented, for consideration, the Letter of Engagement between TIAA and the College.

Members noted that

- The document was agreed on 12 June 2018
- 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, subject to the discussion under the restricted meeting due to take place immediately after the regular meeting.

#### **RESOLVED**

Subject to the discussion under the restricted section, the Audit Committee endorses and commends to the Corporation Board for acceptance and approval for 2019/20, without amendment, the Letter of Engagement between TIAA and the College

#### **AC.25.19 EXTERNAL AUDIT STRATEGY FOR FINANCIAL STATEMENTS YEAR ENDING 31 JULY 2019**

The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Strategy for year ended 31 July 2019.

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

Members were advised that the regularity process has remained in place for 2018/19 and will follow the 'Regularity Assurance Framework' guidance issued by the ESFA. However, it was noted that one of the key changes to this year's guidance is reference to the Insolvency Regime which has recently been introduced.

Members noted the fee proposal, excluding VAT, is as agreed at the previous meeting

- Financial statements audit, including regularity assurance and TPS audit - £19,750
- In addition, a fee in the range of £1,750 to £3,500 for one-off additional work in relation to the merger

**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 2019 and the fees as previously agreed

**AC.26.19 LETTER OF ENGAGEMENT: FINANCIAL STATEMENTS AND REGULARITY AND TEACHERS' PENSION AUDITOR FOR 2018/19**

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

Members considered the detail of the letter with particular reference to

- Financial Statements Audit
- Regularity Assurance
- Terms of Business

**RESOLVED**

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval the Letter of Engagement between the College and Buzzacott LLP

**AC.27.19 TERMS OF REFERENCE AND STANDING ORDERS OF THE AUDIT COMMITTEE FOR 2019/20**

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 reviewed the document, noting the proposed changes 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: 2019/2020.

**AC.28.19 ANNUAL SCHEDULE OF BUSINESS OF THE AUDIT COMMITTEE FOR 2019/20**

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 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: 2019/2020.

#### **AC.29.19 REVIEW OF COLLEGE POLICIES**

The Chief Operating Officer 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

Members were advised that the recent internal audit review of GDPR identified that, while the policies were fit for purpose, they needed to be updated for the merged college group. The principal changes are around the contact details.

Members reviewed each of the policies, noting that there are some inaccuracies regarding job titles within the Data Retention Policy. These will be amended and a final version presented to the Corporation Board for approval in July.

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

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

#### **AC.30.19 KPI DASHBOARD**

The Committee received the KPI Dashboard for Finance: April 2019, 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

Members were advised that the intention is to include John Ruskin College once their accounts to end of January have been approved and opening balances agreed. A set of KPIs will be produced for each college and it is planned there will be one set as Orbital South Colleges from September.

#### **AGREED**

The Audit Committee receives and notes the ESC KPI Dashboard for Finance: April 2019, period 9.

**AC.31.19 ANY OTHER BUSINESS**

The Director of Governance advised there was one item of other business to bring to the attention of the Committee.

The Chair of the Committee will be finishing his third and final term of office in April 2020 and has advised that, in order to help plan for a new Chair of the Committee, he would like to step down as Chair at the next meeting in December but continue to serve on the Committee until his retirement. This will allow for a new Chair to take over whilst he is still serving on the committee to offer support and mentoring of the new incumbent.

There was no other business.

**AC.32.19 DATES OF SCHEDULED MEETINGS: 2019/20**

Thursday 5 December 2019

Thursday 12 March 2020

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:**

A handwritten signature in black ink, appearing to be 'A. J. ...', written over the signature line.

**DATE: 5 December 2019**