

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 14 MARCH 2019
BOARDROOM, REDHILL

Meeting commenced: 18.00
Meeting ended: 19.10

PRESENT

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

IN ATTENDANCE

Mrs Jayne Dickinson	Chief Executive (Cross College) Principal ESC
Mrs Jyoti Baker	Chief Operating Officer
Mr Kevin Standish	Principal JRC Quality Lead (Cross College)
Mr Michael Townsend	Internal Audit Service: TIAA
Mr Clarence Mpofu	Internal Audit Service: TIAA

CLERK

Mrs Sue Glover	Clerk to the Corporation
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The Chair of the Committee welcomed Mr Papanastasiou to his first meeting of the Audit Committee.

- AC.01.19 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.02.19 APOLOGIES FOR ABSENCE**
There were no apologies for absence.
- AC.03.19 NOTIFICATION OF ANY OTHER BUSINESS**
Members agreed that there was no other business to be considered.
- AC.04.19 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 6 DECEMBER 2108**
The minutes of the meeting were approved and signed as a correct record.

AC.05.19 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.06.19 RISK MANAGEMENT: SPRING TERM 2019

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

- the College risk review process for the Spring 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 at ESC met on 14 February 2019 to agree changes to the risk register
- the Risk Management Committee at JRC met on 25 February 2019 and the status section was updated on the register
- the key risk in the JRC risk register is failure to meet income allocations and manage costs in line with the forecast income
- a College Group Risk Register is due to be presented at the summer meeting

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

- Risk O3 - contributing factors 1 and 2 remain a red risk with the status updated to strengthen early warning mechanisms and mitigating factors. A new risk has been added relating to the support of MIS systems and infrastructure. Members were advised that there has been difficulty in recruiting MIS staff at ESC and therefore this risk has been increased to red
- Risk S9 – a new risk has been added relating to the impact of the merger with JRC and the risk relating to the controls and status of Cyber Fraud activities has been updated

In discussion, members considered whether the issues relating to the difficulty with the recruitment of MIS staff at ESC could be associated to the level of salaries offered and were advised that the College ensures competitive salaries are offered in order to attract and retain good staff. Members were advised that the department has suffered from a number of staff sicknesses and maternity leave over the last year in addition to leadership in the department following the departure of the Head, but there was now a new Head of MIS in place who is managing the team and retaining the core staff and the College is now actively recruiting through agencies.

In response to questions relating to the prevention of Cyber Fraud, members were advised that the disaster recovery plan for the College includes steps in place for the event of cyber-attacks. The Firewalls in place are actively managed and all staff are advised how this is managed during their induction.

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 2019 relative to the risks assigned to the Committee

AC.07.19 MERGER WITH JOHN RUSKIN COLLEGE

The Chief Operating Officer gave a verbal update on the integration with John Ruskin College following the completion of the merger on 1 February 2019.

Members were advised that

- Year-end accounts to 31 January for JRC have been delayed to April and will be presented at the next meeting
- The pensions order has now been issued and the pension provision for JRC has now been legally moved to ESC. However, there has been some difficulty from Croydon with regard to moving records which has not had any impact at present
- Abridged Management accounts to January 2019 have been prepared for JRC; these indicate an operating deficit. These have been presented to the Finance and Resources Committee and will be circulated to Board. There are still a number of areas, such as the apprenticeship provision, that need to be reviewed before a starting position can be recognised so that external auditors can commence the audit
- Both finance teams are working well together

AGREED

The Audit Committee agreed to receive and note the update

AC.08.19 POST-16 AUDIT CODE OF PRACTICE 2018-2019

The Clerk to the Corporation presented for information the Post-16 Audit Code of Practice (the Code).

Members were advised 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 requirements for post-16 providers
- The specific responsibilities within the assurance framework for sixth-form and further education corporations, and their external auditors/reporting accountants

It was noted that the changes to the 2018-2019 version include additional guidance relating to the prevention and management of fraud.

AGREED

The Audit Committee agreed to receive and note the document

AC.09.19 INTERNAL AUDIT PROGRESS REPORT: MARCH 2019

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

It was noted that the following internal audits are planned:

- Risk Management – deferred from summer term to 2019/20 (September)
- Learner Numbers – planned for w/c 25 March
- ICT Security GDPR compliance – planned for w/c 25 March
- Key Financial Controls – planned for w/c 29 April
- Follow up work scheduled to be undertaken in the summer term

Members were advised that to accommodate the request to include John Ruskin College within the scope of the planned audits on Learner Numbers Systems and GDPR it was agreed that the Risk Management audit would be deferred from the summer term to 2019/20 (September).

The Chief Operating Officer advised the internal auditor that, as previously indicated, the scope of the audit on Key Financial Controls should also be extended to include John Ruskin College and it was agreed that the Internal Audit Plan would be amended to reflect this.

The Internal Auditor also presented, as part of the Progress Report, Client Briefing Notes relating to new developments in Governance, Risk, Control and Counter Fraud. It was noted that these are shared with all of the internal auditor's clients and members agreed that these were of interest.

AGREED

The Audit Committee agreed to receive and note the Internal Audit Progress Report: March 2019 after amendment to extend the audit on Key Financial Controls to include JRC

AC.10.19

APPOINTMENT OF EXTERNAL AUDITORS

The Chief Operating Officer presented for consideration and approval the fee proposal from Buzzacott for external audit services.

Members were reminded that at the meeting of the Audit Committee held on 14 June 2018, following a review of the tender process undertaken for the appointment of external audit providers, a recommendation was made to the Corporation Board to appoint Buzzacott as external auditors in the spring term 2019 for a period of 3 years commencing on 1 August 2019. The Corporation Board endorsed this appointment at the meeting held on 12 July 2018.

Members were advised that following completion of the merger with John Ruskin College, Buzzacott had been asked to include JRC in the scope of the external audit.

Members reviewed the proposal from Buzzacott, noting,

- For 2018/19 - the audit fee (including financial statements audit, regularity assurance and audit of the College's TPS return) - £19,750
- The previous quote for ESC for 2018/19 was £16,950 - the additional fee of £2,800 includes the additional work required for the audit of a larger college with a higher volume of recurring income, expenditure and balance sheet items
- One-off additional fee for 2018/19 for merger related input and audit work – anticipated to be between £1,750 to £3,500, dependent on a number of factors listed
- For 2019/20 – the audit fee (financial statements, regularity and TPS) - £20,250
- For 2020/21 – the audit fee (financial statements, regularity and TPS) - £20,750

In discussion, members agreed that the increases in fees presented were reasonable for the additional audit work.

RESOLVED

The Audit Committee reaffirms and recommends to the Corporation Board to reaffirm the appointment of Buzzacott as external auditors for a period of 3 years, commencing on 1 August 2019 and to accept the revised fees as presented

AC.11.19

REVIEW OF COLLEGE POLICIES

The Clerk to the Corporation presented, for consideration and approval, a report relating to the review and update of

- **ESC 14 Public Interest Disclosure Policy**

The Committee was reminded that

- at the end of 2013 the Association of Colleges (AoC) provided comprehensive guidance on Whistleblowing for colleges in the light of changes to relevant legislation and advised that
 - the Public Interest Disclosure Act 1998 (PIDA) amended the Employment Rights Act 1996 (ERA) to provide protection, in certain circumstances, for 'whistleblowers'
 - the Enterprise and Regulatory Reform Act 2013 (ERRA) amended the 'whistleblowing' provisions of the ERA 1996
- as a consequence of the requirements of ERRA, the policy was amended and approved by the Audit Committee in June 2015

Members were advised that the AoC has confirmed there have been no subsequent changes to their guidance since 2013 and therefore the policy requires no further amendments at this time. The College's Executive Director HR has also advised that no amendments are required. However, the policy wording has been updated to include JRC following the merger.

Members reviewed the highlighted changes making some further suggested minor terminology amendments and an updated version will be presented to the Corporation Board for approval.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee approves and commends to the Corporation Board, subject to amendments as discussed

- **ESC 14 Public Interest Disclosure Policy**

AC.12.19

KPI DASHBOARD

The Committee received the KPI Dashboard for Finance: January 2019, period 6 for ESC.

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
- 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 2019, period 6 for ESC.

AC.13.19 ANY OTHER BUSINESS
There was no other business.

AC.14.19 DATES OF SCHEDULED MEETINGS: 2018/19
Thursday 13 June 2019 commencing 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, consisting of a stylized 'A' followed by a large, sweeping 'Z'.

DATE: 13 June 2019