

Meeting commenced: 18.20

Meeting ended: 20.00

PRESENT

Dr Andrew Gilchrist	Independent Member	Chair
Ms Rosemary French	Independent Member	
Mr Charlie Martin	Support Staff 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 Gul Syed	UHY Hacker Young: External Audit Service

APOLOGIES

Mr Mike Cheetham	RSM Risk Assurance Services LLP: Internal Audit Service
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CLERK

Mrs Sue Glover	Clerk to the Corporation
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AC.33.17 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.34.17 APOLOGIES FOR ABSENCE

Apologies for absence were received from:

Mr Mike Cheetham, RSM Risk Assurance Services LLP

AGREED

The Audit Committee accepts the apologies for absence.

AC.35.17 NOTIFICATION OF ANY OTHER BUSINESS

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

AC.36.17 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 15 JUNE 2017

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

AC.37.17 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.38.17 INTERNAL AUDIT: REVIEW OF OUTSTANDING AUDIT ITEMS

The Vice Principal: Finance and Resources, presented for information and consideration, a report on outstanding audit items.

Members reviewed the detail of the report noting the progress made on items not yet cleared following the relevant internal audit. It was noted that of the 10 items, 7 were low priority and 3 were medium. One point related to the preparation of management accounts and Members were advised that these are now being issued in a timely manner. The remainder of the report related to issues surrounding the Learner Number Systems and members were advised that a number of points have now been cleared following the recent DSAT audit and others, which are low level, are currently being addressed.

AGREED

The Audit Committee agreed to receive and note the report.

AC.39.17 FINAL INTERNAL AUDIT ASSIGNMENT REPORTS

The Vice Principal: Finance and Resources presented, for consideration and approval, the final reports for the follow Internal Audit reviews.

Data Self-Assessment Toolkit (DSAT) Review: 1.17/18

Members were advised that

- The report has been prepared following an internal audit DSAT review of the College's R14 return for the 2016/17 academic year
- The review was completed in line with Education and Skills Funding Agency (ESFA) audit guidelines

Members noted the conclusion of the report

'Through review of the DSAT reports, and notwithstanding that we have raised a significant number of actions, we can confirm that there were no significant errors identified. However, as we have not confirmed the robustness of the underlying student data, a formal opinion cannot be provided'.

Members reviewed the action plan in place to address the issues raised, noting that the internal audit had highlighted the majority of the issues underpinning these actions could be resolved in-year through more regular use of the DSAT reports by the College's own staff. The Committee was advised that there is now a full complement of finance staff in place, together with a new Data Manager, who has been appropriately trained. There were no high level issues raised and in many instances the issues relate to a very low number of learners.

Estates Management: 7.16/17

Conclusion

Green – substantial assurance

Members noted the conclusion of the report:

'Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively'.

Members noted that two low priority actions in relation to the design and application of the control framework had been raised which are being addressed.

RESOLVED

The Audit Committee approves Internal Audit Reports

- Data Self-Assessment Toolkit (DSAT) Review (1.17/18)
- Estates Management (7.16/17)

AC.40.17

ANNUAL INTERNAL AUDIT REPORT - YEAR ENDED 31 JULY 2017

The Vice Principal: Finance and Resources presented, for consideration and approval, the Annual Internal Audit Report for 2016/17.

Members considered key sections of the Report, in particular

- Section 1 covering the Annual Internal Audit Opinion
- Section 2 covering the Basis of the Internal Audit Opinion
- Section 3 covering the performance of the Internal Auditor
- Appendix B providing a summary of Internal Audit Work Completed 2016/17

Members noted that it was the opinion of the Head of Internal Audit for the 12 months ended 31 July 2017 that

'The organisation has an adequate and effective framework for risk management, governance and internal control'.

The factors and findings, which have formed the opinion of the Head of Internal Audit, were also noted:

'Governance – our review of Risk Management and Governance resulted in a substantial assurance opinion and did not identify any management actions relating to Governance.

Risk Management – our review of Risk Management and Governance resulted in a substantial assurance opinion and identified only one low priority management action relating to risk management.

Our opinion is also based upon the overall framework of risk management as observed at meetings of the College's Audit Committee.

Control – in 2016/17 we completed five other assurance reviews and one advisory review, five of which have been finalised. These reviews resulted in two 'substantial assurance' opinions. The two follow up exercises we undertook both concluded the College had made good progress with implementing actions'

Members were advised that there are no significant issues arising from the report.

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee receives and approves the Annual Internal Audit Report: Year Ended 31 July 2017 and commends the report to the Corporation Board for endorsement and approval.

AC.41.17**EXTERNAL AUDIT COMMITTEE REPORT: YEAR ENDED 31 JULY 2017**

The External Auditor presented the Audit Committee Report for East Surrey College: Year Ended 31 July 2017.

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, if all the outstanding matters discussed in the report are resolved, 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

Members discussed the detail of the report, highlighting a number of minor changes to be made which the external auditor agreed to amend and a revised version will be presented to the Corporation Board on 14 December 2017.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval, subject to amendments as discussed

- The Audit Committee Report for East Surrey College: Year Ended 31 July 2017

AC.42.17**ANNUAL REPORT AND FINANCIAL STATEMENTS: 2016/17**

The Vice Principal: Finance and Resources presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2017.

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 minor wording changes to be made so that a final version is presented to the Board on 14 December 2017.

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

- There are a few minor audit adjustments to make, but these will not affect the final outturn in any significant way
- The College is reporting a total comprehensive income of £552k (2016: £1,065)
- 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 by the Learning and Quality Committee at their meeting to review the College Self-Assessment Report

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 2017 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 2016 to 2017.'*

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 2016 to 31 July 2017 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 2017

AC.43.17

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 opinion.

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 Chair of Governors are required to sign the Regularity Audit Self- Assessment for 2016/17 on behalf of the College

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee endorses and commends the Regularity Audit Self Assessment: Year Ended 31 July 2017 to the Corporation Board for acceptance and approval

AC.44.17

LETTER OF REPRESENTATION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2017.

Members noted the detail of the Letter of Representation and highlighted some minor amendments, which the external auditor agreed to amend, and a revised version will be presented to the Corporation Board on 14 December 2017.

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 2017 subject to amendment as discussed

AC.45.17

ANNUAL RISK MANAGEMENT REPORT: 2016/17

The Vice Principal: Finance and Resources presented, for consideration and approval, the Annual Risk Management Report: 2016/17.

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 risk management process was subject to annual internal audit review during the year and received a substantial assurance with no actions identified relating to governance and risk management
- 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: 2016/17 to the Corporation Board for acceptance and approval.

AC.46.17

RISK MANAGEMENT: AUTUMN TERM 2017

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

- The college risk review process for the Autumn Term 2017
- 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 2017/18 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 noted that the DSAT audit conducted in October 2017 had highlighted two medium and twelve low level recommendations and, whilst the issues do not have any funding impact, they are housekeeping points to be resolved and relate to a very low number of learners.

Members noted the key impact measures of the report.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Autumn Term 2017 for acceptance and approval.

AC.47.17

ANNUAL REPORT OF THE AUDIT COMMITTEE: 2016/17

The Clerk to the Corporation presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2016/17.

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 8 – Internal Audit
- Clause 9 – Financial Statements Audit
- Clause 10 – Regularity Audit
- Clause 11 – Risk Management
- Clause 14 – Conclusion

Members discussed the detail of the report, suggesting some minor amendment to the membership section, and a final version will be presented to the Board on 14 December 2017.

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 of East Surrey College: 2016/17 and commends the report to the Board for acceptance and approval, subject to amendment as discussed.

AC.48.17

COLLEGE POLICIES

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

- **ESC 15 Freedom of Information Act 2000 Policy and Publication Scheme**

The Committee was reminded of the basis on which it is important that college policies are reviewed and updated and that consideration is given, on a bi-annual basis, to the update of this policy to ensure the relevance of the document.

Members reviewed the highlighted changes, which had been approved by the College Directorate, and some further changes were suggested to the Publication Scheme. A final version will be presented to the Board on 14 December 2017.

Members noted the key impact measures arising from the report.

RESOLVED

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

- **ESC 15 Freedom of Information Act 2000 Policy and Publication Scheme**

AC.49.17

ANNUAL REVIEW OF THE RESTRICTED MINUTES OF THE MEETINGS OF THE AUDIT COMMITTEE

The Clerk to the Corporation presented a report, which outlined the basis on which, in accordance with Instrument 17(4), it is appropriate for the Committee to review the restricted minutes of the meeting of the Committee held during the current and previous years.

The Committee was advised of the criteria for confidentiality which would need to be considered in this regard and noted that, in granting the release of any document for public record, the background reports and any other information considered at the time would also need to be released for public record.

Members were advised that there were no meetings held on a restricted basis during 2016/17.

The Committee was advised that a further review of any restricted minutes would take place at the equivalent meeting in 2018.

AGREED

The Audit Committee notes the report.

AC.50.17

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 contacted hours
- Daily 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.

AGREED

The Audit Committee receives and notes the report.

AC.51.17

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 a further minor amendment, and noted that the Search and Governance Committee have approved this for endorsement by the Corporation Board at the meeting to be held on 14 December 2017.

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

AGREED

The Audit Committee receives and notes the report.

AC.52.17

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 2016/17.

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.53.17 SHARED SERVICES IN SURREY AND SUSSEX COLLEGES (SISSC) UPDATE

The Vice Principal: Finance and Resources gave a verbal update on SISSC and advised members that

- SISSC ceased operation on 31 October 2017
- The dissolution process is underway and will continue for the next 3 months
- The dissolution notice should be received in January 2018
- The College has taken over the HR and Finance systems and operates these in-house

AGREED

The Audit Committee agreed to receive and note the update.

AC.54.17 KPI DASHBOARD

The Committee received and reviewed the Finance KPI Dashboard to 31 October 2017 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

AGREED

The Audit Committee receives and notes the KPI Dashboard for Finance at 31 October 2017.

AC.55.17 ANY OTHER BUSINESS

A member asked if there was any merit in the suggestion made in recent news that the level of Apprentices was declining. The Executive advised that this was not the case and the recent news was possibly due in the main to administrative and timing issues and it was agreed that the AoC should be more proactive in keeping the sector properly advised.

Members noted that there was no other business.

AC.56.17 DATES OF SCHEDULED MEETINGS: 2017/18

Thursday 8 March 2018

Thursday 14 June 2018

All meetings commence at 18.00

AC.57.17

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.

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

SIGNED AS A CORRECT RECORD

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long, sweeping horizontal line that curves upwards at the end.

DATE: 8 March 2018

