

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 3 DECEMBER 2015

Meeting commenced: 18.00

Meeting ended: 21.00

PRESENT

Mrs Hayley Dalton	Support Staff Member	
Dr Andrew Gilchrist	Independent Member	Chair
Ms Rosemary French	Independent Member	
Ms Susan Kay	Independent Member	
Mrs Isobel Wallace	External Co-opted Member	

IN ATTENDANCE

Mrs Jayne Dickinson	Principal and Chief Executive
Mrs Ann-Christine Harland	Vice Principal: Finance and Resources
Mr Mike Cheetham	RSM Risk Assurance Services LLP: Internal Audit Service
Mr Subarna Banerjee	UHY Hacker Young: External Audit Service
Ms Elizabeth Mitchell	UHY Hacker Young: External Audit Service

APOLOGIES FOR ABSENCE

Mr Kevin Standish	Deputy Principal: Curriculum and Standards
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CLERK

Mrs Sue Glover	Clerk to the Corporation
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AC.35.15 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.36.15 APOLOGIES FOR ABSENCE

Apologies for absence were received from:

Mr Kevin Standish - personal commitments

AGREED

The Audit Committee accepts the apologies for absence.

AC.37.15 APPOINTMENT OF COMMITTEE CHAIR

The Clerk advised the Committee that at the meeting of the Corporation Board held on 9 July 2015 a new committee membership structure was approved effective 1 September 2015 and it was agreed that each Committee would elect a Chair for appointment by the Corporation Board.

Members were informed that, in accordance with the Terms of Reference and Standing Orders of the Committee, the Chair shall be appointed from among the independent members of the Committee. The current Chair, Dr Andrew Gilchrist, offered himself for re-appointment and there being no other nominations the Committee members elected Dr Gilchrist as Chair of the Committee.

RESOLVED

The Audit Committee recommends to the Corporation Board that Dr Andrew Gilchrist is appointed the Chair of the Committee.

AC.38.15

NOTIFICATION OF ANY OTHER BUSINESS

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

AC.39.15

UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 11 JUNE 2015

The minutes of the meeting were approved, subject to minor amendment and signed as a correct record.

AC.40.15

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.41.15

ANNUAL INTERNAL AUDIT REPORT - YEAR ENDED 31 JULY 2015

The Internal Auditor presented, for consideration, the Annual Internal Audit Report for 2014/2015.

Members considered key sections of the Report, in particular

- 1.2 Statement of Corporation Governance and Internal Control
- 2 The Head of Internal Audit Opinion
 - 2.1 The Basis of the Opinion
 - 2.2 Acceptance of 2014/2015 Internal Audit Recommendations
 - 2.3 Implementation of Internal Audit Recommendations
 - 2.4 Reliance placed upon work of other assurance providers
- 3.1 Wider value-adding delivery
- 3.2 Conflicts of Interest
- 3.3 Conformance with internal auditing standards
- 3.4 Performance Indicators

Members also discussed issues arising from

- Appendix A: Internal Audit Opinions and Recommendations Summary: 2014/2015

Members noted that it was the opinion of the Internal Auditor that

'For the 12 months ended 31 July 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's risk management, internal control and governance arrangements:

Governance – we considered the College's governance arrangements during our review of Strategic Business Planning and no issues were noted.

Risk Management – we considered the College's risk management arrangements throughout our audit work and attendance at audit committees and no issues were noted.

Internal Control – during our audits we issued two 'substantial assurance', two 'reasonable assurance' and one 'some assurance' opinions.

Based on the work we have undertaken on East Surrey College's system of internal control for governance and risk management we do not consider that within these areas there are any issues that need to be flagged as significant internal control issues.

Whilst we did not issue a formal annual opinion in 2013/2014 due to also being the College's external auditor for that year, the reviews we did complete did not highlight any issues.'

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee receives and approves the Internal Audit Annual Report: Year Ended 31 July 2015 and commends the Report to the Corporation Board for endorsement and approval.

AC.42.15 INTERNAL AUDIT DRAFT REPORTS

The Internal Auditor presented, for consideration and approval, the draft Internal Audit Assignment Report undertaken in October 2015 on the Data Self-Assessment Toolkit (DSAT) Review.

Members were advised that the report on the IT Disaster Recovery review undertaken in the week commencing 26 October has just been received and therefore will be presented at the next meeting of the Audit Committee.

It was noted there were 13 points, 1 high, 7 medium and 5 low, of which 3 had occurred in the previous year and some were due to the timing of the workload in the ESC team.

The statement noted in the report confirmed that 'no significant issues were identified'.

RESOLVED

The Audit Committee approves Internal Audit Assignment Report – November 2015 (1.15/16)

AC.43.15 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 were advised that following the internal audit reviews undertaken by the Internal Auditor in 2014/2015, the College received 29 internal audit points, 10 are high grade 1, 10 are medium grade 2 and 9 are low grade 3. 7 high grade 1 and 1 low grade 3 are related to the HEFCE KIS Audit in June 2015. It was noted that 15 points have been completed or are in progress, 5 related to the HEFCE KIS Audit and 14 points, 5 high grade 1, 7 medium grade 2 and 2 low grade 3, are outstanding recommendations to be implemented.

It was noted that the above total does not include the DSAT review for 2013/14 as progress has been included within the 2014/2015 DSAT Review report.

AGREED

The Audit Committee notes the report.

AC.44.15 JOINT AUDIT CODE OF PRACTICE

The Internal Auditor presented, for information, a report on the new Joint Audit Code of Practice (JACOP).

Members were advised that

- in August 2015 the Skills Funding Agency and the Education Funding Agency issued the revised JACOP, effective for accounting periods that end on or after 31 July 2015

- The main changes were in respect of regularity reporting
- The changes to the wording of the conclusion given by the reporting accountant were noted

AGREED

The Audit Committee notes the report.

AC.45.15

EXTERNAL AUDIT COMMITTEE REPORT: YEAR ENDED 31 JULY 2015

The External Auditor presented the draft Audit Committee Report: Year Ended 31 July 2015.

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 your financial statements
- Regularity opinion
- Deficiencies in control and recommendations
- Summary, adjustments and audit report

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 10 December 2015.

RESOLVED

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

- The draft Audit Committee Report: Year Ended 31 July 2015

AC.46.15

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 Self- Assessment for 2014/2015 on behalf of the College

Members noted the key impact measures arising from the report.

RESOLVED

The Audit Committee endorses and commends the Regularity Self Assessment: Year Ended 31 July 2015 to the Corporation Board for acceptance and approval

AC.47.15 LETTER OF REPRESENTATION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2015.

Members noted the detail of the Letter of Representation and highlighted a number of minor amendments which the external auditor agreed to amend and a revised version will be presented to the Corporation Board on 10 December 2015.

RESOLVED

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

- Letter of Representation in respect of the Financial Statements for the year ended 31 July 2015

AC.48.15 ANNUAL REPORT AND FINANCIAL STATEMENTS: 2014/2015

The Vice Principal: Finance and Resources presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2015.

The attention of members was drawn to

- Operating and Financial Review
 - Financial results
 - Payment performance
 - Fundamental risks
- Professional Advisers
- Statement of Corporate Governance and Internal Control
 - Internal Control – review of effectiveness
- Statement of the Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of East Surrey College

Members reviewed each section, suggested some minor wording changes to be made and requested the consistency of a few figures be confirmed.

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

- Income and Expenditure Account
- Statement of Historical Cost Surpluses and Deficits
- Statement of the Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

Members were advised that

- The accounting policies 'Basis of Preparation' have not changed, but refer to the 2014/2015 Accounts Direction Handbook issued by the SFA
- The audit has been undertaken by UHY Hacker Young

Members noted the key points

- There have been no key changes to the Trustee's Report, other than a change in wording on the Head of Internal Audit's opinion following the appointment of separate internal and external auditors
- Some wording related to the College's success rates for 2014/2015 is required to be completed following a review by the Learning and Quality Committee on the College SAR on 3 December

Members discussed issues arising from the Report, including

- The balance sheet is strong and the net current assets recorded of £1.2m represents an improvement on the previous year
- The outturn generates a 'good/outstanding' financial health score
- There were no significant capital projects and grants received in year and limited fixed asset expenditure from reserves at similar levels to the previous year

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 2015 and of the College's surplus of income over expenditure for the year then ended; and*
- *Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.'*

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 2014 to 31 July 2015 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

- The Statement of Accounting Policies for acceptance and approval
- The Report and Financial Statements for the year ended 31 July 2015 for acceptance and approval

AC.49.15

ANNUAL RISK MANAGEMENT REPORT: 2014/2015

The Vice Principal: Finance and Resources presented, for consideration and approval, the Annual Risk Management Report: 2014/2015.

The Committee was advised of

- the requirement of the Committee to oversee the College's risk management process in accordance with its Terms of Reference
- the requirement of the Committee, in accordance with the Joint 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

- Clause 2 – Threats and opportunities
- Clause 3 – Corporation responsibilities for risks
- Clause 4 – Other risk registers
- Clause 5 – Management of risks

The Committee noted the key impact measures of the report.

RESOLVED

The Audit Committee endorses and commends the Annual Risk Management Report: 2014/2015 to the Corporation Board for acceptance and approval.

AC.50.15 RISK MANAGEMENT: AUTUMN TERM 2015

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

- The college risk review process for the Autumn Term 2015
- 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 report included a summary of the high level contributory factors for each risk monitored by the committee. The medium and low level contributory factors will continue to be monitored by the internal Risk Management Committee.

Members considered and discussed:

- Risk S9: Severe business disruption – ‘minor risk’, no change. Members noted that the risk encompasses the response to external factors eg. pandemics, damage to buildings, together with more localised instances, such as strikes or delayed payments to suppliers which could cause business disruption. Risk of terrorist activity has been added as a contributory factor, and is currently assessed as low.
- Risk 03: Failure to maintain timely and accurate student data – ‘significant risk’, no change. It was noted that this risk has been updated for three new high level contributory factors, although currently the scoring is unchanged.

Members noted the key impact measures of the report.

RESOLVED

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Autumn 2015.

AC.51.15 ANNUAL REPORT OF THE AUDIT COMMITTEE: 2014/2015

The Clerk to the Corporation presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2014/2015.

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.

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 13 – Conclusion

Members discussed the detail of the report suggesting some minor amendments.

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: 2014/2015, subject to minor amendment, and commends the report to the Board for acceptance and approval.

AC.52.15 APPOINTMENT OF AUDITOR FOR SUBCONTRACTORS AUDIT

Mike Cheetham left the meeting.

The Vice Principal: Finance and Resources presented, for consideration and approval, a proposal to engage RSM Risk Assurance Services LLP to undertake a report on the systems and controls in place for 2015/2016 for managing SFA funded subcontracted delivery.

Members were advised that

- The SFA has updated its Funding Agreement with providers to require a report on the arrangements in place to manage and control subcontractors where such provision is in excess of £100k
- The College has one subcontractor falling under this requirement, the WEA contract for Community Learning
- The requirements are
 - A report by an external auditor on
 - systems and controls in place in 2015/2016 for managing subcontracted delivery
 - reflecting the end to end subcontracting process, the funding agreement and the funding rules for 2015/2016
 - The report is to be issued before 31 January 2016
 - The Provider to provide a certificate to the SFA that they have commissioned a report, and that the report provided satisfactory assurance by 31 January 2016
- RSM is one of the firms appointed by the SFA to carry out funding audits and, therefore, the College consider that its team is fully conversant with the funding rules and SFA requirements
- RSM have proposed a fee of £2k. The fee is subject to VAT and disbursements for this work
- RSM would undertake the work during their planned internal audit visit and consider this to be additional and not part of the current internal audit work scope

Members considered the proposal and agreed that RSM Risk Assurance Service LLP is appointed to undertake the subcontracting controls audit.

RESOLVED

The Audit Committee endorses and commends the appointment of RSM Risk Assurance LLP to undertake a report on the systems and controls in place for 2015/2016 for managing SFA funded subcontracted delivery at a proposed fee of £2k, subject to VAT and disbursements to the Corporation Board for acceptance and approval.

Mike Cheetham rejoined the meeting.

AC.53.15 COLLEGE POLICIES

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

- **ESC 43 Risk Management Policy**

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 agreed that no further changes were required.

Members were advised that

- ESC Risk Strategy has not been updated for some time and it is proposed that a review is undertaken at the next Strategy Committee to assess current Corporation appetite for risk
- The Freedom of Information Act and Publication policy, although due for review is not being reviewed while the FOI is under current Government review

Members discussed the issues and agreed

- It was appropriate that the Risk Strategy is considered by the Audit Committee and is presented at the next meeting
- The Freedom of Information Act and Publication policy is updated when the outcome of the Government review has been completed and should then be presented to the Audit Committee for consideration

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 Policy**

AC.54.15 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 2014/2015.

The Committee was advised that a further review of any restricted minutes would take place at the equivalent meeting in 2016.

AGREED

The Audit Committee notes the report.

AC.55.15 VALUE FOR MONEY

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

Members were reminded that ensuring Value for Money in the use of public funds is one of the College's strategic aims and reviewed the following 8 key areas identified as being of particular importance in assessing value for money:

- Contributions from each department
- Staff utilisation
- Room utilisation
- Benchmarking of key performance indicators
- Large contract procurement
- Regular monitoring of costs
- Regular monitoring of income
- Class size

Members were advised that as at November 2015 the College is on track to meet the targets set in the Strategic Plan.

Members discussed the key areas of the report. They noted that the report focussed on operational matters relating to the College, and that wider aspects of the concept of "Value for Money" (such as how public funding is utilised, destinations of students and the impact of the College on the local economy and community) are addressed in separate reports prepared for the Board.

Members noted the impact measures arising from the report.

AGREED

The Audit Committee receives and notes the report.

AC.56.15

SHARED SERVICES IN SURREY AND SUSSEX COLLEGES

The Vice Principal: Finance and Resources presented an update with regard to Shared Services in Sussex and Surrey Colleges (SISSC).

Members were advised that

- the systems continue to perform well at the five colleges which are now live
- the EBS Student Record interface for East Surrey is scheduled to be live for 31 December 2015
- HR/payroll – City College are due to go live in April 2016
- Milestone 5 (M5) upgrade - SISSC currently runs Milestone 3 (MS3) which will shortly cease to be supported by UNIT4. An upgrade to MS5 is being handled by UNIT4, with the servers upgrading to Windows 2012 to enable MS5 to run.

Members were advised that the Finance and Resources Committee had also been updated with regard to SISSC

AGREED

The Audit Committee receives and notes the SISSC update.

AC.57.15

ANNUAL REVIEW OF THE BUSINESS OF THE AUDIT COMMITTEE

The Clerk to the Corporation presented a report which provided a review of the Action Points arising from the meetings of the Committee during 2014/2015.

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.58.15

CODE OF GOOD GOVERNANCE FOR ENGLISH COLLEGES

The Clerk to the Corporation presented, for information, a report which outlined the College's Audit Review of Compliance with the Foundation Code of Governance.

The Committee was reminded that

- The Code of Good Governance 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 to the previous Code has been confirmed redundant by the AoC as the new Code contains a section on Finance and Audit

Members noted that the document has been approved by the Search and Governance Committee for endorsement by the Corporation Board at the meeting to be held on 10 December 2015.

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

AGREED

The Audit Committee receives and notes the report.

AC.59.15

KPI DASHBOARD

The Committee received and reviewed the KPI Dashboard as at September 2015 Period 2.

AGREED

The Audit Committee receives and notes the document.

AC.60.15

ANY OTHER BUSINESS

Members noted that there was no other business.

AC.61.15

DATES OF SCHEDULED MEETINGS: 2015/2016

Thursday 10 March 2016

Thursday 16 June 2016

All meetings commence at 18.00

AC.62.15

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.



SIGNED AS A CORRECT RECORD:

DATE: 10 March 2016

