

**AUDIT COMMITTEE**

MEETING HELD ON THURSDAY 11 JUNE 2015

Meeting commenced: 18.05

Meeting ended: 20.20

**PRESENT**

Ms Rosemary French  
Dr Andrew Gilchrist  
Ms Susan Kay  
Mrs Isobel Wallace

Independent Member  
Independent Member                      Chair  
Independent Member  
External Co-opted Member

**IN ATTENDANCE**

Mrs Ann-Christine Harland  
Mr Kevin Standish  
Ms Lorna Raynes  
Mr Subarna Banerjee  
Ms Elizabeth Mitchell

Vice Principal: Finance and Resources  
Deputy Principal: Curriculum and Standards  
Baker Tilly: Internal Audit Service  
UHY Hacker Young: External Audit Service  
UHY Hacker Young: External Audit Service

**APOLOGIES FOR ABSENCE**

Mrs Jayne Dickinson  
Mr Mike Cheetham

Principal and Chief Executive  
Baker Tilly: Internal Audit Service

**CLERK**

Mrs Sue Glover

Clerk to the Corporation

**AC.15.15      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.16.15      APOLOGIES FOR ABSENCE**

There were no apologies from committee members, but apologies were noted from Mrs Jayne Dickinson, Principal and Chief Executive and Mr Mike Cheetham, Baker Tilly: Internal Audit Service.

It was noted that due to the current vacancies on the committee, Ms Susan Kay had been invited to attend as an independent member to provide relevant experience and to ensure that the meeting was quorate.

**AC.17.15      NOTIFICATION OF ANY OTHER BUSINESS**

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

**AC.18.15      UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 11 MARCH 2015**

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

**AC.19.15      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.20.15 FINAL INTERNAL AUDIT REPORT (3.14/15): FOLLOW UP OF PREVIOUS INTERNAL AUDIT RECOMMENDATIONS**

The Internal Auditor presented, for consideration and approval, the final report on the follow-up of previous internal audit recommendations.

The Committee was advised that the purpose of the review was to follow-up progress made by the College to implement previous internal audit recommendations.

Members were advised that out of the 26 recommendations, 21 are now closed and 5 are still ongoing – 2 medium and 3 low priorities. The 2 medium recommendations are due to be completed in June and July and of the low level risks, one has now been completed and the other 2 require documentation of procedures and will be prioritised in the summer.

Members noted the conclusion of the report:

*'Taking account of the issues identified in the remainder of the report.....in our opinion East Surrey College has demonstrated reasonable progress in implementing actions agreed to address internal audit recommendations'*

**RESOLVED**

The Audit Committee approves Internal Audit Report (3.14/15).

**AC.21.15 FINAL INTERNAL AUDIT ASSIGNMENT REPORT (4.14/15)**

The Internal Auditor presented, for consideration and approval, the Internal Audit reviews carried out in March 2015.

**Internal Audit Assignment Report (4.14/15)**

**LEARNER NUMBER SYSTEMS**

**Recommendations made**

High – 2  
Medium – 3  
Low - 2

**KEY FINANCIAL CONTROLS**

**Recommendations made**

High – 0  
Medium – 2  
Low – 1

The Committee was advised that the report had been prepared on an exception basis and that the specific conclusions, significant recommendations and management responses were contained within the executive summary.

In response to questions from members, the Vice Principal: Finance and Resources provided detailed information with regard to the various recommendations noting, in particular, that the issues raised in the Learner Number Systems review primarily highlighted 7 issues within the processes for accuracy of data of the Study Programmes for 16-18 year olds. Each of the issues has been complicated by the unexpected volume of students undertaking English and Maths which took up extraordinary amounts of time and resources to record in the Autumn term, thus delaying the usual data checking processes.

In addition, the number of learners able to obtain work experience decreased in the year, requiring late large scale changes to learning aims and supervision together with staff and students becoming familiar with the new tracking system, MyWorkSearch.

Members discussed the detail of the report and were advised that a quality improvement plan for each of the issues raised has been devised and will be updated by the relevant departments on a monthly basis. Members agreed that all the issues raised are being adequately addressed.

### **RESOLVED**

The Audit Committee approves the Final Internal Audit Assignment Report (4.14/15).

#### **AC.22.15**

#### **INTERNAL AUDIT STRATEGY: 2015/2016 – 2017/2018**

The Internal Auditor and the Vice Principal: Finance and Resources presented, for consideration and approval, the Internal Audit Strategy: 2015/2016 – 2017/2018.

Members reviewed the key sections of the Strategy

- Developing the Internal Audit Strategy
- Internal Audit Resources
- Audit Committee requirements
- Appendix A: Internal Audit Plan 2015/2016
- Appendix B: Internal Audit Strategy 2015/2016 – 2017/2018
- Appendix C: Factors influencing the internal audit strategy
- Appendix D: Internal audit approach to an assignment
- Appendix E: Overview of internal audit assignment opinions

Members were informed that the Strategy had been drawn up in conjunction with the College following a review of planned activity for 2015/2016 which identified the key risks as accuracy of main grant income (which is mainly derived from the Learner Records system), key financial controls and maintenance of financial health.

Members were advised that the Plan is currently a draft document.

The Committee reviewed the specific aspects of the Strategy relative to 2015/2016 and, in response to questions to the development of the Strategy, members were advised that

- Despite the relaxation of the JACOP requirements for annual Governance and Risk Management reviews, the oversight of the medium term strategy of the College was considered relevant to the internal audit strategy and this is now planned
- As more colleges receive internal audits on the Agresso Finance and payroll systems, other SISSC member colleges are sharing improvements during the scheduled meetings/teleconferences
- Should the College be selected for an SFA Funding Audit (last undertaken 5 years ago), then the DSAT review will not be required and an additional review of the Work Experience processes earlier in the summer will be requested

Members noted that the internal audit service in 2015/2016 provides for 28 audit days at a fee of **£16,268** + VAT which relates to a 10.3% decrease in cost on the previous year.

Members were advised that in order for an annual audit opinion to be given at least one of the following optional audit inputs would need to be selected

- IT Disaster recovery
- Learner journey
- Sustainability

Members agreed that the IT Disaster recovery audit would be beneficial in the light of the SSSC project being linked to other colleges' systems which, if failed, could affect the College. However, it was felt that 6 days for the audit seemed excessive, but noted this is due to IT specialist support which may be required. It was suggested that one of the other internal audit inputs could be reduced in order to compensate.

Members noted the key impact measures arising from the report.

#### **RESOLVED**

The Audit Committee approves and commends to the Corporation Board

- the Internal Audit Strategy: 2015/2016 – 2017/2018, in the number of 28 days, subject to final review of the number of days required for the inclusion of the IT Disaster recovery audit
- the Internal Audit Fee of **£16,268** + VAT in line with this recommendation, subject to final review of the number of days required

#### **AC.23.15 LETTER OF RESIGNATION: EXTERNAL AUDITOR**

The Clerk to the Corporation presented for information the Letter of Resignation from the outgoing external auditor, Baker Tilly.

Members were advised that under the terms of the JACOP, the outgoing external auditor is required to submit formal notice of resignation and that it has confirmed that there are no circumstances connected with the resignation that the governing body should be aware.

#### **AGREED**

The Audit Committee receives and notes the Letter of Resignation from the outgoing external auditor.

#### **AC.24.15 LETTER OF ENGAGEMENT: FINANCIAL STATEMENTS AND REGULARITY AND TEACHERS' PENSION AUDITOR 2014/2015**

The External Auditor presented, for consideration and approval, the draft Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Auditor – 2014/2015, between UHY Hacker Young LLP and East Surrey College and the Chief Executive of Skills Funding.

Members considered the detail of the Letter with particular reference to

- Financial Statements
- Regularity, accounting records and transactions
- Information provided

Members were advised that the fee of £15,000 for the external audit and £750 for certifying the Teachers' Pension Audit, both exclusive of VAT, are the costs agreed with UHY Hacker Young at the time of their appointment.

#### **RESOLVED**

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval the Letter of Engagement: Financial Statements and Regularity Auditor – 2014/2015 between UHY Hacker Young LLP and East Surrey College and the Chief Executive of Skills Funding.

**AC.25.15 FINANCIAL STATEMENTS AUDIT STRATEGY: 2014/2015**

The Financial Statements Auditor presented, for consideration and approval, the report on the East Surrey College Audit Service Plan: year ended 31 July 2015.

Members considered the key issues arising from the report

- Audit independence
- Audit engagement and scope
- The risks of error in the financial statements
- Form and timing of communications
- The preparation of the financial statements
- Audit timetable

Members noted that the document outlines the key audit issues identified for the year ending 31 July 2015 and reflects discussions with the College and knowledge of the FE sector.

Members noted the key impact measures arising from the report.

**RESOLVED**

The Audit Committee approves and commends to the Corporation Board the East Surrey College Audit Service Plan: year ended 31 July 2015

**AC.26.15 HEFCE AUDIT OF KEY INFORMATION SET (KIS) DATA 2014/2015**

The Vice Principal: Finance and Resources presented a report for consideration and approval on the management responses to the HEFCE Data Assurance Team's audit undertaken in March 2015 of the KIS data 2014/2015.

Members were advised that

- the College managed its first HEFCE contract during 2013/14 for 100 students
- although 7 high level issues were noted, these will support improvements to standardisation of systems for the small and growing cohort of students the College wishes to recruit
- An action plan has been put in place to address the issues raised

Members noted the key impact measures arising from the report, in particular the risk implications.

**RESOLVED**

The Audit Committee approves and commends to the Corporation Board the HEFCE Audit of the Key Information Set (KIS) data 2014/2015 and the action plan put in place to address the issues arising.

**AC.27.15 RISK MANAGEMENT: SUMMER TERM 2015**

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

- the College risk review process for the Summer Term 2015
- the monitoring of **Risk S9: Severe business disruption**
- the monitoring of **Risk O3: Failure to maintain timely and accurate learner data**

Members considered and discussed:

- **Risk S9: 'Severe business disruption':** 'Low' risk– no change
- **Risk O3: Failure to maintain timely and accurate learner data:** 'Significant' risk – no change

The Committee was advised that there are no current high level contributory factors for Risk S9 and O3, although the impact of risk O3 has increased.

Members noted the key impact measures arising from the report.

**RESOLVED**

The Audit Committee endorses and commends to the Corporation Board the updated Risk Register: Summer Term 2015.

**AC.28.15 COLLEGE POLICIES**

**ESC 14 Public Interest Disclosure Policy**

The Clerk to the Corporation presented, for consideration and approval, a report relating to the review and update of ESC14 Public Interest Disclosure 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 an annual basis, to the update of ESC 14 Public Interest Disclosure Policy to ensure the relevance of the document.

Members were 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) has amended the 'whistleblowing' provisions of the ERA 1996
- as a consequence of the requirements of ERRA, the Audit Committee agreed at the meeting held on 12 June 2014 that the College's Public Interest Disclosure Policy should be reviewed in the light of the guidance provided by the Association of Colleges (AoC) in conjunction with the Director of HR and Professional Development and, following approval by the College Directorate, is submitted for the initial approval of the Chair of the Audit Committee

Members reviewed the highlighted changes which had been approved by the College Directorate and subsequently by the Chair of the Audit Committee and suggested a further minor change.

Members noted the key impact measures arising from the report.

**RESOLVED**

The Audit Committee approves and commends to the Corporation Board

- ESC 14 Public Interest Disclosure Policy

**AC.29.14 TERMS OF REFERENCE AND STANDING ORDERS OF THE AUDIT COMMITTEE: 2015/2016**

The Clerk to the Corporation 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 minor change 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: 2015/2016.

**AC.30.15 ANNUAL SCHEDULE OF BUSINESS OF THE AUDIT COMMITTEE: 2015/2016**  
The Clerk to the Corporation 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 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: 2015/2016.

**AC.31.15 SHARED SERVICES IN SUSSEX AND SURREY COLLEGES**  
The Vice Principal: Finance and Resources presented an update report on issues with regard to Shared Services in Sussex and Surrey Colleges (SISSC).

Members were advised that a settlement had been reached with the partner college declaring financial difficulties and that the college is now making payment by monthly instalments.

The Committee received the SISSC Principals' Bulletin Number 10 – 4 June 2015.

**AGREED**

The Audit Committee notes the report.

**AC.32.15 KPI DASHBOARD**  
Members discussed issues arising from the KPI Dashboard: March 2015.

**AC.33.15 ANY OTHER BUSINESS**  
Members noted that there was no other business.

**AC.34.15 DATES OF SCHEDULED MEETINGS: 2014/2015**  
Thursday 3 December 2015  
Thursday 10 March 2016  
Thursday 16 June 2016

All meetings commence at 18.00



**SIGNED AS A CORRECT RECORD:**

**DATE:** 3 December 2015

