

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 6 DECEMBER 2012

Meeting commenced: 18.10

Meeting ended: 20.45

PRESENT

Mr Michael Axelrod	Independent Member	
Ms Rosemary French	Independent Member	
Dr Andrew Gilchrist	Independent Member	Chair
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 Dominic Blythe	Baker Tilly: External Auditor
Ms Lorna Raynes	RSM Tenon: Internal Audit Service

APOLOGIES FOR ABSENCE

Mr Brian Smith	Independent Member
Mr Mike Cheetham	RSM Tenon: Internal Audit Service
Mr Jonathan Ericson	Baker Tilly: External Auditor

CLERK

Mr Melvyn Cass	Clerk to the Corporation
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AC.28.12 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.29.12 APOLOGIES FOR ABSENCE

Apologies for absence were received from one member of the Committee

Mr Brian Smith - personal commitments

AGREED

The Audit Committee accepts the apologies for absence.

AC.30.12 NOTIFICATION OF ANY OTHER BUSINESS

The Chair requested that the Committee receive an update on the recently approved shared services joint venture with Shared Services in Sussex and Surrey Colleges (SISSC).

AC.31.12 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 JUNE 2012

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

AC.32.12 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.

18.15 Ms Rosemary French joined the meeting.

AC.33.12 INTERNAL AUDIT: REVIEW OF OUTSTANDING AUDIT ITEMS

The Vice Principal: Finance and Resources presented a verbal report on outstanding audit items.

Members were advised that a written report recording the verbal update provided would be completed for inclusion in the Governors' eReading Room.

AGREED

The Audit Committee notes the report.

AC.34.12 INTERNAL AUDIT ANNUAL REPORT: YEAR ENDED 31 JULY 2012

The Internal Auditor presented the draft Internal Audit Annual Report.

Members considered key sections of the Report, in particular

- 2.2 Internal Audit Assurance Statement
- 2.3 Scope of the Internal Audit Opinion
- 2.4 Operational Assurances
- 2.5 The Basis of the Opinion
- 2.6 Conflicts of Interests
- 2.7 Performance of the Internal Audit Service
- 2.8 Benchmarking Data

Members also discussed issues arising from

- Appendix A: Internal Audit Assurance Map 2011/2012
- Appendix B: Internal Audit Opinions and Recommendations 2011/2012

In connection with the Basis for Opinion, members discussed the advice that, of the twenty four recommendations made by the Internal Auditor, two had not been accepted by management.

The Committee noted that the Internal Auditor had accepted the rationale of the College management for their not having implemented the two recommendations and, in turn, concurred with the acceptance by the Internal Auditor.

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

'For the 12 months ended 31 July 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of East Surrey College's arrangements for governance, risk management and control is as follows:

Governance – we issued a 'green' opinion during our review of risk management and governance

Risk Management – we issued a 'green' opinion during our review of risk management and governance

Control – although we issued one 'high' and five 'medium' recommendations within the areas audited, we are satisfied that, overall, there is a sound framework of internal control in place and operating as designed.'

RESOLVED

The Audit Committee receives and approves the draft Internal Audit Annual Report: Year Ended 31 July 2012 and commends the Report to the Corporation Board for approval, subject to minor amendment.

AC.35.12 INTERNAL AUDIT PROGRESS REPORT: DECEMBER 2012

The Internal Auditor presented an update on progress relative to the Internal Audit Plan for 2012/2013.

Members considered the summary of progress against the Internal Audit Plan, noting that there were no issues to be brought to the attention of the Committee and that there were no changes to the Plan.

Internal Audit Assignment Report (1.12/13)
LEARNER NUMBER SYSTEMS – DSAT REVIEW

Overall Conclusions

'Through review of the reports we can confirm that there were no significant issues identified in the report. However, without confirming the robustness of the data, a formal opinion cannot be provided.'

RESOLVED

The Audit Committee

- receives and notes the Internal Audit Progress Report: December 2012
- approves the Internal Audit Assignment Report: 29 November 2012 (1.12/13)

AC.36.12 INTERNAL AUDIT LETTER OF ENGAGEMENT: 2012/2013

The Internal Auditor presented, for consideration and approval, the Internal Audit Letter of Engagement: 2012/2013.

Members considered the detail of the Letter, in particular

- Scope of Services
- Fees
- Terms of Business
- Agreement of Terms

RESOLVED

The Audit Committee approves, and commends for approval by the Corporation Board, the Internal Audit Letter of Engagement: 2012/2013.

Members agreed to bring forward Agenda Item 7.3

AC.37.12 AUDIT FINDINGS REPORT: YEAR ENDED 31 JULY 2012

The External Auditor presented the draft Audit Findings Report: Year Ended 31 July 2012.

The Committee considered the detail of the Report, in particular

- Audit and accounting issues identified at planning stage
- Audit and accounting issues identified during the audit
- Unadjusted/adjusted misstatements
- Deficiencies in internal control
- Fees
- Independence

The Committee discussed specific issues arising from the Report, including

- the intention of the College to settle its Lennartz liability before the end of the financial year and the implications of this for the accounts
- the risks relating to the College's recurrent grant funding allocation for adult skills, noting an anticipated clawback of funds
- the intention of the College to seek to retain Gatton Point South and the potential implications of this for the accounts
- the risks associated with anticipated future funding reductions
- the basis on which an additional audit fee of £1250 (ex VAT) was proposed

RESOLVED

The Audit Committee endorses and commends the draft Audit Findings Report: Year Ended 31 July 2012 to the Corporation Board for acceptance and approval.

AC.38.12

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

The External Auditor presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2012.

The attention of members was drawn to

- Operating and Financial Review
- Professional Advisers
- Statement of Corporate Governance and Internal Control
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of East Surrey College

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

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

The Committee discussed issues arising from the Report, including

- Operating and Financial Review
 - Implementation of the Strategic Plan
 - Performance Indicators
 - Financial Results
 - Current and Future Development and Performance
 - Future Developments
 - Principal Risks and Uncertainties
 - Equal Opportunities and Employment of Disabled Persons
- Notes to the Financial Statements
 - Statement of Accounting Policies
 - Pensions and similar obligations

Members noted that it was the opinion of the Financial Statements Auditor that

'the financial statements

- give a true and fair view of the College's affairs as at 31 July 2012 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice.'

Members also noted that it was the opinion of the Regularity Auditor that

'In all material respects, the expenditure disbursed and income received during the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.'

RESOLVED

The Audit Committee

- endorses and commends the draft Report and Financial Statements for the Year Ended 31 July 2012 to the Corporation Board for acceptance and approval

- endorses and commends to the Corporation Board the Statement of Accounting Policies for acceptance and approval

AC.39.12 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 Chief Executive is required to sign the Regularity Audit Self Assessment on behalf of the College for 2011/2012

Members considered the detail of the questionnaire and identified areas where it would be helpful for additional information to be provided.

RESOLVED

The Audit Committee

- endorses and commends the Regularity Audit Self Assessment: Year Ended 31 July 2012 to the Corporation Board for acceptance and approval
- requests that consideration is given to bringing the report to the Summer Term meeting in future years

AC.40.12 APPENDIX A – LETTER OF REPRESENTATION: FINANCIAL STATEMENTS AUDIT

The External Auditor presented the draft Letter of Representation: Audit of Financial Statements – Year Ended 31 July 2012.

The Committee considered the detail of the Letter with particular reference to

- Financial Statements
- Information Provided

RESOLVED

The Audit Committee endorses and commends the draft Letter of Representation: Audit of Financial Statements – Year Ended 31 July 2012 to the Corporation Board for acceptance and approval.

AC.41.12 APPENDIX B – LETTER OF REPRESENTATION: REGULARITY AUDIT

The External Auditor presented the draft Letter of Representation: Regularity Audit – Year Ended 31 July 2012.

The Committee considered the detail of the Letter with particular reference to

- Regularity, Accounting Records and Transactions
- Information provided
- Compliance with laws and regulations
- Self-assessment

RESOLVED

The Audit Committee endorses and commends the draft Letter of Representation: Regularity Audit – Year Ended 31 July 2012 to the Corporation Board for acceptance and approval, subject to minor amendment.

AC.42.12 LETTER OF ENGAGEMENT: FINANCIAL STATEMENTS AND REGULARITY AUDITOR

The External Auditor presented, for consideration and approval, the Engagement Letter between Baker Tilly UK Audit LLP and East Surrey College and the Chief Executive of Skills Funding.

The Committee was advised that the External Auditor submits, on an annual basis, the Letter of Engagement for consideration and approval by the Audit Committee and for endorsement and approval by the Corporation Board.

Members considered the detail of the letter, in particular

- Financial Statements Audit
- Regularity Audit
- Financial Statements and Regularity Audit
- Terms and Conditions of Business and Additional Terms
- Agreement of Terms

RESOLVED

The Audit Committee endorses and commends to the Corporation Board, for acceptance and approval, the Engagement Letter between Baker Tilly UK Audit LLP and East Surrey College and the Chief Executive of Skills Funding.

20.05 Dominic Blythe left the meeting.

AC.43.12 ANNUAL RISK MANAGEMENT REPORT: 2011/2012

The Vice Principal: Finance and Resources presented the Annual Risk Management Report: 2011/2012.

The Committee was advised of

- the requirement for the Committee to oversee the College's risk management process in accordance with its Terms of Reference
- the requirement of the LSC Audit Code of Practice for colleges to review the adequacy of its risk management process on an annual basis
- the review, by Internal Audit, of the risk management processes in its 2011/2012 audit and the assessment of the controls in place as good

Members considered the detail of the Report, noting in particular

- 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 implications of the report.

RESOLVED

The Audit Committee endorses and commends the Annual Risk Management Report: 2011/2012 to the Corporation Board for acceptance and approval.

AC.44.12 ANNUAL REPORT OF THE AUDIT COMMITTEE: 2011/2012

The Clerk to the Corporation presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2011/2012.

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 detail 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 noted the need to complete Clause 13 'Conclusion' in light of the outcome of this meeting.

The Committee noted the key impact implications 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: 2011/2012, subject to agreed minor amendments, and commends the Report to the Board for acceptance and approval.

AC.45.12 RISK MANAGEMENT: AUTUMN TERM 2012

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

- the College risk review process for the Autumn Term 2012
- the monitoring of the risk assigned to the Committee in 2011/2012

Members considered and discussed:

- **Risk S9: 'Severe business disruption':** 'Low' risk– reduced from 'Significant' risk.

Members noted that the risk encompasses the response to external factors eg pandemics, damage to buildings, together with more localised instances.

The Committee was advised that, during the Autumn Term 2012, key changes had been noted in 3 risk areas:

- **Risk S6: 'Inability to attract/retain and develop staff with the required mix of skills':** 'Fundamental' risk – increased from 'Significant' risk
- **Risk O2: 'Severe IT failure':** 'Significant' risk – no change but noting increased reliance on IT for key College systems
- **Risk S4: 'Failure to achieve 16-18 learner targets':** 'Low' risk – reduced from 'Significant' risk

Members noted that, in addition to the changes to risks, the risk register has been re-linked to the new 2012/2013 Strategic Plan, thus providing a clear link between the two documents as recommended by the Internal Audit Review in May 2012.

Members noted the key impact implications of the report.

RESOLVED

The Audit Committee endorses and commends to the Board the updated Risk Register: Autumn 2012.

AC.46.12 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 meetings 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 be released for public record.

Members were informed that the minutes to be considered for review were the restricted minutes of the meetings of the Committee held on 24 March 2011, 23 June 2011 and 1 December 2011.

Members discussed the restricted minutes of the meetings in light of the background papers to the meetings and determined that it would not be appropriate, owing to the sensitive nature of the issues covered in the background papers, to de-restrict the minutes at the present time.

The Committee was advised that further review of the restricted minutes would take place at the equivalent meeting in 2013.

RESOLVED

The Audit Committee

- approves the continuing restriction on the restricted minutes of the meetings of the Audit Committee held on 24 March 2011, 23 June 2011 and 1 December 2011
- approves consideration of the minutes, restricted in accordance with Section 22 of the Freedom of Information Act 2000, to be undertaken at the equivalent meeting in December 2013
- determines that it appeared unlikely that it would be appropriate for those minutes, restricted in accordance with Section 40 of the Freedom of Information Act 2000, to be made available to the public in the foreseeable future and should not be brought for consideration at the equivalent meeting in 2013 or thereafter

AC.47.12 ANNUAL REVIEW OF THE BUSINESS OF THE AUDIT COMMITTEE: 2011/2012

The Clerk to the Corporation presented a report which provided a review of the Action Point arising from the meetings of the Committee during 2011/2012.

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 noted that all Action Points had been fully addressed to the satisfaction of the Committee.

AGREED

The Audit Committee receives and notes the report.

AC.48.12 KPI DASHBOARD

The Committee received the KPI Dashboard: September 2012 and considered the salient issues.

Members discussed issues arising from:
KPI 1 – EFA/SFA Learner Numbers vs Target
KPI 3 – Work Place Learning Starts
KPI 4 – IACL Learner Numbers vs Target
KPI 9 – Working Time Lost (Percentage Sickness)
KPI 13 – Lesson Observation
KPI 14.1 – Attendance – Full time EFA/SFA Funded Learners (%) – Accumulative
KPI 14.2 – Attendance – Part time EFA/SFA Funded Learners (%) – Accumulative
KPI 15 – Class Size (EFA/SFA Funded Full time Courses excluding Full cost Infill)

AGREED

The Audit Committee receives and notes the document.

AC.49.12 ANY OTHER BUSINESS

SHARED SERVICES IN SUSSEX AND SURREY COLLEGES (SISSC)

The Vice Principal: Finance and Resources gave a verbal update on the involvement of the College with the Shared Services in Sussex and Surrey Colleges.

Members were advised that

- the College is one of eight colleges now participating in the project
- additional LSIS funding has been received by the project since the approval of the Corporation Board for the College to participate in the project
- initial developments include the proposed implementation of common finance and payroll systems
- the College is involved in leading relevant areas of development
- relationships within the project are good

AGREED

The Audit Committee notes the verbal report.

AC.50.12 DATES OF SCHEDULED MEETINGS: 2012/2013

Thursday 14 March 2013

Thursday 20 June 2013

Meetings commence at 18.00

AC.51.12 MEETING OF THE EXTERNAL AUDITOR WITH THE AUDIT COMMITTEE

The External Auditor advised the Committee, at the conclusion of his report, that there were no issues of concern to raise with the Committee 'in camera'.

SIGNED AS A CORRECT RECORD:



DATE: 14 March 2013

