

## THE CORPORATION OF EAST SURREY COLLEGE

### AUDIT COMMITTEE

#### MEETING HELD ON THURSDAY 2 DECEMBER 2021, VIA MICROSOFT TEAMS

Meeting commenced: 18.10

Meeting ended: 19.30

#### Present

Alex Hayman	Independent Member	Chair
Ganesh Kumar	Independent Member	
Grace Marriott	Independent Member	
James Marshall	External Co-opted Member	

#### Apologies for absence

Peter Papanastasiou	Independent Member
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#### In attendance

Jayne Dickinson	Chief Executive (College Group) Principal ESC
Jyoti Baker	Chief Operating Officer
Helen Haddock	External Audit Service: Buzzacott LLP

#### Clerk to the Committee

Sue Glover	Director of Governance
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#### AC.30.21 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.

There were no declarations of interest.

#### AC.31.21 Apologies for absence

Apologies for absence were received from

Peter Papanastasiou - personal commitments

#### Agreed

The Audit Committee agreed to receive the apologies for absence.

#### AC.32.21 Notification of any other business

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

#### AC.33.21 Unconfirmed minutes of the meeting of the Audit Committee held on 10 June 2021

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

**AC.34.21****Matters arising and action points from the minutes of the previous meeting**

The schedule of actions points from the minutes of the last meeting was reviewed. It was agreed that the RAG rated table being produced, which identified the sources of assurances, would be presented to the summer meeting of the committee.

Members noted that all other Action Points arising from the meeting have been addressed to the satisfaction of the Committee and there were no other matters arising from the meeting.

**AC.35.21****Fraud, Irregularity and Whistleblowing matters**

The Committee was advised that there were no matters to report.

**AC.36.21****Post-16 Audit Code of Practice for 2020/21 – supplementary bulletin**

The Director of Governance presented for information the supplementary bulletin to the Post-16 Audit Code of Practice (the Code), which had been issued in July 2021.

Members were reminded that the Code, which sets out a common standard for the provision of assurance in relation to funding of post-16 providers, had been considered by the Committee at the last meeting.

Members were advised that the bulletin does not change any of the existing requirements set out in the Code, but highlights that the continuing pandemic posed a number of governance and control issues for college corporations, such as

- Issues with conducting the college's usual programme of internal audit
- Management accounts not produced or shared with relevant parties
- Financial processes not carried out in time, eg. Missed deadlines for financial returns
- A reduced number of governance meetings, for example due to corporations being unable to hold board or audit committee meetings

The Committee reviewed the detail of the document and, in discussion, agreed that whilst it was helpful for these issues to be highlighted, the Board had managed to continue to operate with its agreed schedule of business uninterrupted during the pandemic. It was noted that the additional regularity self-assessment questionnaire relating to Covid-19 formed part of the College's self-assessment questionnaire for the Regularity Audit.

**Agreed**

The Audit Committee agreed to receive and note the document

**AC.37.21****Internal Audit****Summary Annual Internal Audit Report for 2020/21**

The Chief Operating Officer presented the Summary Annual Internal Audit Report for 2020/21, which had been prepared by Scrutton Bland.

Members considered the detail of the report, noting the summary of findings: *'we have undertaken three assignment reviews and have provided one Strong, one Reasonable and a follow-up review where we concluded that good progress had been made. We have not been commissioned to carry out sufficient audit work to provide overall opinions on Risk, Governance and Internal Control for the 2020/21 academic year'*.

The Committee accepted the summary of findings provided by Scrutton Bland, recognising that appropriate assurances relating to risk, governance and internal control have been secured through other sources and identified in the Annual Report of the Audit Committee presented elsewhere on this agenda.

The Chief Operating Officer presented each of the final internal audit reports for:

- Subcontracting – ‘strong’ assurance
- Classroom-based Funding Assurance – ‘reasonable’ assurance
- Follow-up of previous Apprenticeship Funding Recommendations – good progress

Members were reminded that Feedback Summaries had been presented at the last meeting for the Classroom-based Funding Assurance and Follow-up audits when the outcomes had been rigorously reviewed and the final reports are presented here for completeness.

The Subcontracting internal audit had been completed after the date of the last meeting. The Committee reviewed the detail of the report, noting:

***Subcontracting – Assurance Opinion: Strong ‘governance, risk management and control arrangements provide strong assurance that the material risks reviewed are managed effectively’***

No recommendations had been made and it was noted that the one low risk recommendation made to improve the performance of the system of internal controls last year has been implemented.

**Grace Marriott joined the meeting**

In discussion, members commented that the previous recommendation made in the follow-up of Apprenticeship Funding regarding the issue of Apprenticeship Agreements and Commitment Statements being fully completed and signed by the apprenticeship start date, had been reinstated. The Committee was advised that the matter could not be resolved in time for 2020/21 signups, but that the College had added additional resource and the introduction of electronic signatures was facilitating timely signups although they still remained an issue. The College recognises that there is a cost to the College in terms of additional resourcing in early signups, which had its own complexities or in terms of over delivery if the hours are disallowed as the signatures were not in place. The College adopts a pragmatic view by allowing for both measures.

**Progress Report for 2021/22**

Members received the Progress Report noting the planned internal audits for 2021/22. The Business Continuity audit has just been completed and indications are that this will be given a ‘strong’ assurance.

Members agreed that the audits presented a good set of outcomes to give assurance to the Corporation Board that the College has an adequate and effective system of internal control.

**Resolved**

The Audit Committee

- Accepts the Summary Annual Internal Audit Report for 2020/21
- The final internal audit reports for
  - Subcontracting
  - Classroom-based Funding Assurance
  - Follow-up Apprenticeship Funding
- Progress Report for 2021/22

### **AC.38.21 Financial Statements Audit and Regularity Audit for 2020/21**

The Chief Operating Officer presented a summary of the Financial Statements for 2020/21.

Members were advised that

- The College generated an Operating Deficit before exceptional items of (£887k), (2019/20 – deficit of £467k)
- However, the total comprehensive income is a surplus of £489k (2019/20 – total operating expenditure of £6,219k)
- The operating deficit includes the LGPS pension contribution and finance costs of £1,122k
- The College has accumulated reserves of £20,604k (2019/20 - £20,115k) and a cash and short term investment balance of £8,914k (2019/20 - £9,868k)
- The college values its net current assets at £5.1m and will retain its financial health grade of 'outstanding' for 2020/21

### **AC.39.21 Post-Audit Management Report for ESC for the year ended 31 July 2021**

The External Auditor presented its Post-Audit Management Report to the Audit Committee: Year Ended 31 July 2021.

The Committee considered the detail of the Report, in particular

- Executive summary
- Financial statements opinion and regularity assurance conclusion
- Financial performance and going concern
- Key audit findings
- Key audit risks and outcomes
- Comparison of financial ratios
- Sector developments

Members were advised

- at the current date the external auditor expects to be in a position to issue an unqualified audit report on the financial statements of the College
- following recent changes to the International Standards on Auditing (UK), the report has been updated to include
  - an explanation as to the extent the audit was considered capable of detecting irregularities, including fraud; and
  - revised wording for the conclusion relating to the Governing Body's use of the going concern basis of accounting and the identification of any material uncertainties that may cast significant doubt on the College's ability to continue as a going concern
- no significant issues were found in the accounting and internal control systems during the audit

In discussion, members were content that the revisions to the statement relating to 'Going Concern' and the Board's responsibility had been highlighted through the presentation of the External Auditor's audit strategy document presented to the Board at the July meeting. The College's financial position is well monitored through the Finance and Resources Committee who highlight any significant issues throughout the year.

The opinion of the External Auditor relating to Going Concern was noted:  
*'in auditing the financial statements, we have concluded that the members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.'*

*Based on the work we have performed, we have not identified any material uncertainties relating to event or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue'*

Members agreed that good controls continue to be in place at the College and the external auditor took the opportunity to thank the finance staff for their assistance during the audit.

The Committee agreed to accept the report, which will be presented to the Corporation Board on 9 December 2021.

#### **AC.40.21 Annual Report and Financial Statements for East Surrey College 2020/21**

The Chief Operating Officer presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2021.

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, noting the additional requirement for specific membership and attendance of the Audit Committee is now included from this year, which is additional to the information provided on membership of the whole Board.

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 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 2021 and of its deficit of income under expenditure for the year ended; and;*
- *The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *In all material aspects, funds from whatever source administered by the College for specific purposes have been properly applied only for those purposes for which they were received, and managed in accordance with relevant legislation;*
- *In all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and*
- *The requirements of the Office for Students' Accounts Direction have been met*

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'*

#### **AC.41.21 Regularity Audit Self-Assessment Questionnaire**

The Chief Operating Officer presented, for consideration and approval, the College's Regularity Audit Self-Assessment.

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 Chief Executive/Principal and the Chair of Governors are required to sign the Regularity Audit Self-Assessment for 2020/21 on behalf of the College

#### **AC.42.21 Letter of Representation in respect of the Financial Statements for the year ended 31 July 2021**

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2021.

Members noted the detail of the Letter of Representation, which will be presented to the Corporation Board on 9 December 2021.

The Committee took the opportunity to congratulate the Chief Operating Officer and the finance team for all their hard work in achieving such a good audit outcome for the College.

#### **Resolved**

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

- the Annual Report and Financial Statements for East Surrey College for the year ended 31 July 2021
- Post-audit management report for the year ended 31 July 2021
- the Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2021
- the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2021

#### **AC.43.21 Annual Report of the Audit Committee: 2020/21**

The Director of Governance presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2020/21.

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 7 – Internal Audit
- Clause 8 – Financial Statements Audit
- Clause 9 – Regularity Audit
- Clause 10 – Risk Management
- Clause 13 – Assessment of the Audit Committee's own effectiveness
- Clause 14 – Conclusion

Members discussed the detail of the report and agreed this gave a good summary of the activities relating to the financial year. The Committee was pleased to present the report to the Board on 9 December 2021 to give an opinion that there are adequate and effective assurance arrangements in place and a framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

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, and commends the report to the Board for acceptance and approval

#### **AC.44.21**

### **Annual Risk Management Report: 2020/21**

The Chief Operating Officer presented, for consideration and approval, the Annual Risk Management Report: 2020/21.

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
- There have been no changes in key personnel or in the Governance and Risk Management process at the College in 2020/21
- The College's previous two years' Governance and Risk Management audits have resulted in a 'substantial assurance'
- Scrutton Bland were appointed to undertake key internal audits to give assurance on individual audits conducted
- Strategic Risks
- 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: 2020/21 to the Corporation Board for acceptance and approval.

#### **AC.45.21 Risk Management: Autumn Term 2021**

The Chief Operating Officer presented, for consideration and approval, a report, which provided an update on the assessments and actions for the risks assigned to the Committee.

The strategic risks assigned to the Committee remain as follows:

- AC1 – Failure of the College MIS systems to capture and maintain quality of data and reporting resulting in incorrect information and thus decisions – reduced to ‘significant’ (amber) from ‘fundamental’ (red)
- AC2 – Severe business disruption – ‘significant’ (amber) risk – no change
- AC3 – failure to achieve clean outcomes in College audits – ‘minor’ (green) risk – no change

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

- Risk AC1 is decreased from Red to Amber due to significant progress made by College management of systems and data. The investment in systems, staff recruitment and development is starting to show improvements needed
- Risk AC2 remains an Amber risk, although the risk score has reduced, and whilst the College systems and defences are considered to be good the threat from the external environment results in this risk remaining ‘amber’ for the foreseeable future
- The contributing risk AC2.7 relating to ‘threat and impact of infectious diseases’ remains a ‘red’ risk although the score has been reduced as the Pandemic measures are now an embedded way of working at both college sites
- The risk description for AC3 has changed from ‘failure to achieve clean audits’ to ‘failure to achieve compliance with legal and sector obligations, regulations and requirements, resulting in penalties and/or damage to reputation’

In discussion, members considered whether it was appropriate to have a specific risk relating to achieving clean outcomes in College audits as the mitigating actions and controls associated with also covered under other risks on the register. Members agreed that it would be better to focus on risks that are exclusive and not to have any duplication of risks.

Members agreed that risk AC3 is removed from the register and that the proposed changes to other risks on the register were appropriate.

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 2021 relative to the risks assigned to the Committee

#### **AC.46.21 Annual Review of the Business of the Audit Committee**

The Director of Governance presented a report, which provides a review of the Action Points arising from the meetings of the Committee during 2020/21.

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.47.21**

**Any Other Business**

There was no other business.

**AC.48.21**

**Dates of Scheduled Meetings: 2021/22**

Thursday 17 March 2022

Thursday 16 June 2022

All meetings commence at 18.00

**AC.49.21**

**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:**



**DATE: 17 March 2022**