

THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 11 MARCH 2021, VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.40

Present

Alex Hayman
Ganesh Kumar
Peter Papanastasiou
James Marshall

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

In attendance

Jayne Dickinson
Jyoti Baker
Kevin Standish
Carl Bullen

Chief Executive (College Group) Principal ESC
Chief Operating Officer
Principal JRC/Quality Lead (College Group)
Internal Audit Service: Scrutton Bland

Clerk to the Committee

Sue Glover

Director of Governance

AC.01.21 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.02.21 Apologies for absence

There were no apologies for absence.

AC.03.21 Notification of any other business

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

AC.04.21 Unconfirmed minutes of the meeting of the Audit Committee held on 3 December 2020

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

AC.05.21 Matters arising and action points from the minutes of the previous meeting

Members reviewed the schedule of action points arising from the meeting. The Chair of the Committee advised that he had met with the Chief Operating Officer and Director of Governance to consider whether there could be any flexibility with how agendas might be structured, particularly for the autumn term.

The Chair advised that during discussions it was apparent that the previous meeting had been very lengthy due to the number of internal audit reports presented. These had been postponed due to Covid-19 and were originally planned to be presented at the summer term meeting. It was agreed that, going forward, the internal audit plan would be constructed so that final reports are presented at either the spring or summer term meetings. A number of other items on the autumn term agenda are annual reporting matters, which are required to give assurance on the controls and processes in place so that a recommendation can be made to the Corporation to approve the financial statements.

The Chair informed the Committee that he was content to leave the structure of agendas in place, noting that internal audit reports will not normally be presented at the autumn term meeting, thus giving more time to the consideration of the financial statements. Members of the Committee agreed with this approach.

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

AC.06.21 Risk Management: Spring 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 Committee is responsible for the oversight of

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

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

- the risk score for the contributing risk under Risk AC1 relating to ‘the failure of enrolment forms and processes to ensure good quality and timely information is collected’, is reduced due to the measures taken on data cleansing
- the contributing risk under Risk AC1 relating to ‘Covid-19 impact on enrolment’ has been reduced to ‘amber’ as the event has now been completed, with current indicators that the 2021/22 enrolment will return to an ‘in person’ enrolment
- the contributing risk under Risk AC2 relating to the ‘threat and impact of infectious diseases’ remains a ‘red’ risk with the highest score in the light of Covid-19

The Committee considered that, particularly in the light of the number of ‘red’ risks on the register, some milestones could be incorporated so that actions taken to mitigate risks can be more easily monitored and to track when complete.

It was recognised that the risks associated with MIS would always be a high risk for the College. The MIS systems and processes are the key evidence of compliance and audit for all our funding contracts. Hence, it is appropriate that this risk remains a ‘Red’ although the scores may vary within the ‘Red’ category in the range between 15 and 36.

The Apprenticeship enrolments are complex and the College has been reviewing the detailed processes with the introduction of the Digital Apprenticeship Service for the non-levy employers. The continuous changing and updating of the processes means this area will remain a high risk.

Members noted the key impact measures of the report.

Resolved

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Spring Term 2021 relative to the risks assigned to the Committee

AC.07.21 Review of outstanding audit items

The Chief Operating Officer presented, for information and consideration, the audit tracker, which reported on outstanding audit issues.

Members reviewed the detail of the report, noting the progress of recommendations. A total of seven recommendations had been made during the last audit round of which four recommendations have been fully completed and three are in hand. The Risk and Assurance Report on Learner Number Systems Apprenticeships had received a 'reasonable' assurance opinion at the Autumn Term audit and presented to the previous meeting when it was extensively discussed.

The Committee discussed the issues raised and, in response to questions, were advised that

- the Skills Scans have to be redone as evidence of the completed skills scans were not saved on student records. The volume of the Skills Scan is a significant investment of staff time and new staff have also had to be trained to ensure the quality assurance practices are embedded are taking time, for this reason a new deadline of 31 May 2021 has been set. A move from 31 March 2021
- the Skills Scans are now an embedded process and all Apprenticeships skills scans for starts since January have been fully completed in a timely manner
- a discussion was had around the impact of a lack of a Skills Scan. The Chief Operating Officer explained that, this lack would raise questions about the prior learning of the apprentice and whether the necessary financial adjustments had been made if prior learning existed. There was no immediate impact, as the risk would only crystallise if the College had an ESFA audit. The College has not had an ESFA audit at least over the last five years so could be in scope for an audit at any given year-end. The Internal Audit highlighted the missing evidence and since the College has taken measures to ensure the evidence is regenerated, the likelihood of financial liabilities is relatively small. However, the College has taken a prudent approach and made a provision in the accounts to moderate the impact until the Skills Scans are fully completed.

The follow-up Internal Audit will assess the progress made. Recommendations will either be raised or removed depending on the success of the measures implemented. The College appoints Internal Auditors to provide the services of a critical friend and makes the governors aware of any significant issues in the Colleges' systems and processes. The Internal Auditors do not directly communicate with the ESFA on the audit outcomes of a College audit as their appointment is by the College and not the ESFA.

Agreed

The Audit Committee agreed to receive and note the report

Internal Audit Arrangements

AC.08.21 Internal Audit Plan

The Internal Auditor presented, for consideration and approval, the proposed Internal Audit Assurance Strategy and Annual Plan for 2020/21 to 2022/23.

Members reviewed the detail of the report, noting the areas proposed for internal audit in 2020/21, 2021/22 and 2022/23 to cover the areas of

- Key Financial Controls
- Funding/Income
- Learner Focussed
- Compliance, threats and operational

In addition, the ESFA's mandatory Subcontracting review would be completed annually for the three years of the internal audit cycle.

Members discussed the proposed internal audit plan and, in response to questions on how these judgements were made, were advised that

- in determining the proposed audit plan, the College's risk register and risk matrix had been considered together with the knowledge by the internal auditor of what other colleges of a similar size and scale are considering over the next 3 years
- the expertise of the internal auditor helps to develop the internal audit plan and to be a critical friend to the college by assessing the systems and processes in place to enhance the control framework

It was agreed that the proposed audit plan presented an opportunity to identify areas of any particular concerns. It would be helpful if the proposed audit plan could highlight the areas that the College is obligated to have assurance on and the key differences between last year and those suggested for this year together with the reasons why these are proposed.

Members were advised that the proposed audit plan is based on a 3-year cycle, which can be adjusted and amended to suit the business needs of the College, particularly when any risks, which are subsequently identified through an internal audit, can be included accordingly.

The profile of the days proposed over the 3-year cycle together with the anticipated costs was reviewed. Members were advised that this was very much a proposal as some of the areas proposed gain assurance in other ways, for example, assurance on the quality of provision is gained through monitoring by the Learning and Quality Committee, Ofsted inspection and College Performance Reviews. In addition, the area of Safeguarding and Prevent is subject to review with the local authorities

It was agreed that the proposed audit plan would be further reviewed by management who would look at each of the headings to identify whether assurance can be gained elsewhere so that the plan can focus on the areas where assurance is required from the internal auditors. A revised plan will be presented to the Committee at the June meeting.

Agreed

The Audit Committee agreed that the proposed internal audit plan presented would be further reviewed by management in the light of required audits over a 3-year cycle and presented to the next meeting in June

Carl Bullen left the meeting

AC.09.21 Reappointment of Internal Audit Service

The Chief Operating Officer advised that the current internal audit service, Scrutton Bland, was appointed in March 2020 to carry out specific internal audits to give assurance that there are appropriate controls and processes in place to enable the 'sign off' of the financial statements.

It is recommended that Scrutton Bland be appointed as the College's internal audit service to undertake internal audits as per the audit plan as discussed, for a period to accommodate the 3-year cycle of audits suggested.

As discussed under the previous agenda item, the plan would be revised to reflect a reduced number of audits and consequent cost reduction, in the light of those areas that can gain assurance elsewhere. This may mean that the Internal Auditors are only able to give opinions on the audits they have undertaken and not a whole organisation opinion. However, with all the other checks and assurances in place, including External Audits, awarding body audits, QAA to name some, this may not be of significance.

It was agreed that the COO would provide an assurance paper reviewing the various assurances and opinions received by the College that could enable the Audit Committee to fulfil its responsibilities.

In discussion, members agreed this was a sensible approach.

Resolved

The Audit Committee approves and recommends to the Corporation Board the reappointment of Scrutton Bland as the internal audit service for a 3-year period

AC.10.21 College Policies

The Director of Governance presented, for consideration and approval, a report relating to the review and update of

- **OSC55 Public Interest Disclosure Policy**

The Committee was reminded that

- at the end of 2013 the Association of Colleges (AoC) provided comprehensive guidance on Whistleblowing for colleges in the light of changes to relevant legislation
- the Audit Committee agreed at the time that the College's Public Interest Disclosure Policy should continue to be reviewed against this guidance and any subsequent changes as part of the normal cycle of policy reviews

Members were advised that there are only minor changes proposed and there has been no significant changes to the guidance given by the AoC. The College's Executive Director HR has also reviewed the policy, making minor amendments to some title changes.

Members reviewed the highlighted changes, commenting whether there was any requirement to include reference to Covid-19, and were advised that it was unlikely this particular policy would need to make reference, but guidance would be sought from the AoC and included if required. It was agreed there were no further changes.

Members noted the key impact measures arising from the report.

Resolved

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

- **OSC55 Public Interest Disclosure Policy**

AC.11.21 KPI Dashboard

The Committee received the KPI Dashboard for Finance: January 2021.

Members reviewed the KPI Dashboards reflecting the 31 January management accounts:

- 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
- 12 month rolling cashflow forecast

Members commented on the staff costs against the percentage of income and were advised that corrective action is being taken to identify savings, which will be reflected in February and March management accounts.

Agreed

The Audit Committee receives and notes the KPI Dashboard for Finance: January 2021

AC.12.21 Any Other Business

There was no other business.

AC.13.21 Dates of scheduled meetings: 2020/21

Thursday 10 June 2021, commencing at 18.00

SIGNED AS A CORRECT RECORD:

DATE: 10 June 2021

A handwritten signature in black ink, appearing to read 'Alex Hup', with a horizontal line underneath.