THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 16 JUNE 2022, VIA MICROSOFT TEAMS

Meeting commenced: 18.00
Meeting ended: 19.15

Present

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

In attendance

Jayne Dickinson	Chief Executive
Eva Dixon	Chief Operating Officer
Lindsay Pamphilon	Principal
Mitzi Gibson	Executive Director HR & Professional Development
Helen Haddock	Buzzacott

Clerk to the Committee

Sue Glover	Director of Governance

AC.15.22 **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.16.22 **Apologies for absence**
There were no apologies for absence.

AC.17.22 **Notification of any other business**
Members agreed that there was no other business to be considered.

AC.18.22 **Unconfirmed minutes of the meeting of the Audit Committee held on 17 March 2022**
The minutes of the meeting were approved and signed as a correct record.

AC.19.22 **Matters arising and action points from the minutes of the previous meeting**
Members reviewed the schedule of action points, noting those that will be picked up under this agenda.

The COO presented a report summarising the sources of assurance. Members were reminded that this was an action from the June 2021 meeting when the Committee had considered a report on how and when various assurances are provided. It had been agreed there appears to be no gaps in assurances, but that it would be helpful going forward if a RAG rated table could be produced on an annual basis and presented to the Committee, which identified the sources of assurances.

Members reviewed the detail of the report and considered that the first line of assurance for Funding Income, which had been RAG rated as 'red' would indicate a weakness in the system, and was not consistent with the reporting in other areas, such as the risk register. It was agreed that the report would be given further consideration and adjusted so that each of the RAG rated areas aligned with other lines of reporting and brought back to the committee for review.

The action relating to the General Ledger internal audit presented at the last meeting and the status of the low level recommendation to review the service level agreement will follow through to the audit tracker when completed.

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.20.22   **Fraud, Irregularity and Whistleblowing matters**
The Committee was advised that there were no matters to report.

AC.21.22   **Risk Management: Summer Term 2022**
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 – 'significant' (amber) – no change
- AC2 – Severe business disruption – 'significant' (amber) risk – no change

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

- there is no impact on enrolment as a result of Covid-19 as rules are now relaxed. It was agreed that contributing risk AC1.2 is removed
- Contributing risk AC1.5 – failure to record Apprenticeships, their enrolments and date on a timely basis – remains a 'red' risk as recruitment issues and staff capacity impacts on timely rollout of required systems improvements with key man dependency on certain posts
- Contributing risk AC1.7 – difficulty in recruiting and retaining qualified MIS staff – risk upgraded from 'amber' to 'red' due to key man dependency within department

In discussion, members were advised that staff recruitment is difficult in all areas of the business. There are currently no issues within the actual MIS department, but this area covers client services where they are some challenges. It was agreed that the focus of this risk would remain on the MIS team as opposed to the wider team.

The Committee agreed that the proposed changes to each of risks on the register were appropriate and there were no further changes required.

Members noted the key impact measures of the report.

Resolved
The Audit Committee endorses and commends to the Corporation Board the Risk Register: Summer Term 2022 relative to the risks assigned to the Committee

AC.22.22   **Post-16 Audit Code of Practice for 2021/22**
The Director of Governance presented for information the Post-16 Audit Code of Practice (the Code) for 2021/22.

Members were advised that the Code sets out a common standard for the provision of assurance in relation to funding of post-16 providers, setting out
- The overarching assurance arrangements forpost-16 providers
- The specific responsibilities within the assurance framework for sixth-form and further education corporations, and their external auditors/reporting accountants
- The requirements for independent training providers

Members reviewed the key changes from the previous version and agreed that, whilst important to note, there were no substantive amendments.

Agreed
The Audit Committee agreed to receive and note the document

Internal Audit

Members were advised that the Audit Tracker item will be taken at the end of the internal audit section of the agenda so that actions in place to address recommendations from the Risk and Assurance reports presented can be reviewed.

AC.23.22   **Risk and Assurance Progress report – June 2022**
Members received the Progress Report prepared by Scrutton Bland, noting the planned and completed internal audits for 2021/22.

AC.24.22   **Risk and Assurance Reports**
The Committee received the following Risk and Assurance Reports:

- Payroll
- Funding Assurance (classroom based and apprenticeships)
- Subcontracting (draft)

<u>Payroll</u>
The Committee reviewed the detail of the report, noting:

Assurance Opinion: Significant *'governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively'. There are some areas where the adequacy or operation of controls in practice should be improved further.*

Three low recommendations have been made and members were advised that actions are in place to address these.

<u>Funding Assurance – Classroom based and Apprenticeships</u>
The Committee reviewed the detail of the report, noting:

Assurance Opinion: Reasonable 'governance, risk management and control arrangements provide reasonable assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice needs to be significantly improved'.

Three medium and six low level recommendations have been made. Members noted the management response to each of these and were advised that actions are in place to address these.

Subcontracting

The Committee reviewed the details of the report, noting:

Assurance Opinion: Reasonable 'governance, risk management and control arrangements provide reasonable assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice needs to be significantly improved'.

One medium and two low level recommendations. Members were advised that the document presented was a draft and the responses to the medium recommendation have now been received from subcontractors and will be reviewed by the internal auditor. The outcome of this should result in the medium recommendation being removed and the final assurance opinion given a green 'significant'. The final report will be circulated to members when received.

Resolved

The Audit Committee receives and accepts the final internal audit reports for
- Payroll
- Funding Assurance
- Subcontracting (draft), with final version to be circulated when received
- Risk and Assurance Progress Report 2021/22 – June 2022

AC.25.22   Internal Audit Assurance Strategy and Annual Plan

The Chief Operating Officer updated the Committee on the unallocated audit days. Members were reminded that the planned Management Information audit for April 2022 was delayed so that the incoming Chief Operating Officer could review the scope of this audit.

The Committee was advised that areas planned for this audit were already included within other internal audits and consequently it was considered that the days assigned for the audit would be better utilised for a Curriculum Planning health check review. The scope of this review will address areas such as, system set up, process for identifying potential courses.

The date of this health check is planned for June and the outcome will be presented to the next meeting of the committee.

AC.26.22   Review of outstanding audit items – Audit Tracker

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

Members reviewed the detail of the report, noting the progress of recommendations. A total of 22 recommendations have been received to date, 16 are outstanding, of which 15 have been received from audits concluded in the current year.

There have been four finalised and one draft internal audit in 2021/22. The most recent audits for Payroll received 'significant' assurance and Funding Assurance received 'reasonable' assurance and the reports reviewed under this agenda together with the draft subcontracting report, which received 'reasonable' assurance. Business Continuity and General Ledger, received 'green' outcomes and were reviewed at the previous meeting.

Members reviewed the detail of the audit tracker noting the progress made in addressing each of the recommendations made. In discussion, members commented that some of the deadline dates have passed and were advised that those recommendations completed would not be removed until such time as the

internal auditor has reviewed and closed these off. It was agreed that the document would be adjusted to indicate when recommendations have been actioned.

Agreed
The Audit Committee agreed to receive and accept the report

AC.27.22   **External Audit Strategy for Financial Statements year ending 31 July 2022**
The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Strategy for year ended 31 July 2022.

Members considered the key issues arising from the report:

- Overview of arrangements
- Timetable
- Financial statements and regularity assurance
- Issues of audit significance
- Fees
- Timetable and nature and scope of work

The Committee was advised that the document reflected the clarifications and updates in the 2021/22 Accounts Direction published by the ESFA and that the regularity assurance process has remained in place for 2021/22, and follows guidance by the ESFA and Post-16 Audit Code of Practice.

Members were advised on the key risks of audit significance identified at the pre-audit planning meeting

- Going concern assessment
- Management override of controls
- Capital Projects
- Subcontractor provision
- Income recognition
- Accounting estimates
- Related party transactions
- Regularity

Members were reminded that it is the Corporation's responsibility to certify and assure on the going concern status of the College.

Members discussed the issues raised and agreed that the audit strategy for 2021/22 was appropriate. However, it was noted that under capital projects, the new Advanced Technology Centre (ATC) at ESC is referenced as being completed in July 2022. The ATC project did not progress and the funding was reassigned to the Construction Skills Centre at JRC which was completed the previous year. The external auditor will amend the document and a revised version will be made available for the Corporation Board in July.

Members were advised of the following fees proposed for 2021/22, which are exclusive of VAT

Financial Statements audit	£24,700
Regularity assurance	£2,000
Teachers' Pension Scheme audit	£1,750

Resolved
The Audit Committee approves and commends to the Corporation Board for approval and acceptance the External Audit Strategy for the year ending 31 July 2022 and the fee proposal

AC.28.22   **Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Auditor for 2021/22**

The External Auditor presented, for consideration and approval, the terms of engagement between the College and Buzzacott LLP.

Members noted that
- The original document was agreed and signed in July 2019 and revised on 4 June 2021 to reflect the changes in the Post-16 Audit Code of Practice
- The document is submitted on an annual basis for consideration and carried over from the previous year unless any changes are requested by the College

Members reviewed the detail of the revised Letter of Engagement and agreed that there are no changed required for the period 2021/22.

Resolved
The Audit Committee endorses and commends to the Corporation Board for acceptance and approval for the period 2021/22, without amendment, the Letter of Engagement between Buzzacott and the College

AC.29.22   **Terms of Reference and Standing Orders of the Audit Committee for 2022/23**

The Director of Governance presented a report, which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Standing Orders.

The Committee reviewed the document, noting the minor date changes proposed, and agreed these were appropriate and there was nothing further to add.

Resolved
The Audit Committee approves and commends to the Board the Terms of Reference and Standing Orders of the Audit Committee: 2022/23.

AC.30.22   **Annual Schedule of Business of the Audit Committee for 2022/23**

The Director of Governance presented a report, which outlined the need to review, on an annual basis, the Committee's Annual Schedule of Business.

Members were advised that the document has been compiled to include the items of business that need to be addressed by the Committee at each of the meetings to be held in 2022/23. The Committee reviewed the document and agreed that it was more appropriate for the internal audit strategy and plan for the following year to be discussed at the spring term meeting rather than in the summer.

Resolved
The Audit Committee approves and commends to the Board the Annual Schedule of Business of the Audit Committee: 2022/23, subject to amendment as discussed

AC.31.22   **Review of College Policies**

The Chief Operating Officer presented, for consideration and approval, the following policies:

- OSC37 – Best Value Policy
- OSC40 – Fraud Policy
- OSC42 – GDPR Policy
- OSC43 – Rights of Individuals Policy
- OSC44 – Personal Data Breach Notification Policy
- OSC45 – Data Retention Policy

The Committee was advised that

- A regular cycle of reviews ensures that College policies take account of any changes in legislations and remain relevant to College operations
- All policies have been reviewed and approved by the College Directorate with minor changes. The Data Protection policy is now centralised across all sites, as are student records, so the procedure is the same irrespective of the campus

Members reviewed each of the policies and commented that section 17 of the GDPR policy may not be relevant as the UK is no longer part of the EU. It was agreed that reference to the standing item of Fraud is considered at each meeting to be included in the Fraud policy.

Resolved
The Audit Committee approves and commends to the Corporation Board for approval

- OSC37 – Best Value Policy
- OSC40 – Fraud Policy, subject to amendment as discussed
- OSC42 – GDPR Policy, subject to amendment as discussed
- OSC43 – Rights of Individuals Policy
- OSC44 – Personal Data Breach Notification Policy
- OSC45 – Data Retention Policy

AC.32.22   **KPI Dashboard**
The Committee received the KPI Dashboard for Finance: April 2022, period 9.

Members reviewed the KPI Dashboard for Actual against Budget and Actual against the same period for the prior year for:
- Tuition Fees
- Employer Engagement Income
- Additional Contract Income
- Staff FTEs
- Staff costs as a percentage of total income
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cashflow forecast

Agreed
The Audit Committee receives and notes the KPI Dashboard for Finance: April 2022, period 9.

AC.33.22   **Any Other Business**
There was no other business.

AC.34.22   **Dates of Scheduled Meetings: 2022/23**
Thursday 1 December 2022
Thursday 16 March 2023
Thursday 15 June 2023

All meetings commence at 18.00

As there was no further business, the Chair declared the meeting closed.

SIGNED AS A CORRECT RECORD:

DATE: 1 December 2022