THE CORPORATION OF EAST SURREY COLLEGE

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 15 JUNE 2023, VIA MICROSOFT TEAMS

Meeting commenced: 18.00
Meeting ended: 20.00

Present

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

In attendance

Lindsay Pamphilon	Chief Executive & Principal
Eva Dixon	Chief Operating Officer
Kevin Squire	Assistant Principal Finance & Resources
Kam Dehal	Executive Director Commercial & Partnerships
Paul Goddard	Internal Audit Service - Scrutton Bland
Katherine Patel	External Audit Service - Buzzacott LLP
Sandra Prail	Association of Colleges

Clerk to the Committee

Sue Glover	Director of Governance

The Chair welcomed everyone to the meeting and introduced Sandra Prail, who would be observing the meeting as part of the External Governance Review that is currently being undertaken by the Board.

AC.16.23 **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.17.23 **Apologies for absence**
There were no apologies for absence.

AC.18.23 **Notification of any other business**
The Chair advised that he would like to give members the opportunity to reflect on the committee's performance over the past year under any other business.

AC.19.23 **Unconfirmed minutes of the meeting of the Audit Committee held on 16 March 2023**
The minutes of the meeting were approved and signed as a correct record.

AC.20.23 **Matters arising and action points from the minutes of the previous meeting**
Members reviewed the action points arising from the meeting, noting those items that would be dealt with under this agenda.

Members agreed 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.21.23 **Fraud, Irregularity and Whistleblowing matters**
The Committee was advised that there were no matters to report.

AC.22.23 **Risk Management: Summer Term 2023**
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, resulting in incorrect decisions being made – 'fundamental' risk - no change
- AC2 – Severe business disruption – downgraded from 'significant' risk to 'minor' risk

Members considered and discussed the detail of the highlighted revisions to each of the risks, noting in particular the contributing red risks:

- AC1.1: 'Failure of enrolment forms and processes to ensure good quality and timely information is collected' remains amber, but score reduced due to staff changes, which includes a new co-ordinator, and further improvements to systems and processes
- AC1.2: 'Failure of effective curriculum planning and subsequent monitoring of enrolments, resulting in known constraints being missed' remains 'red', although the residual score remains unchanged at amber. The new process rollout has been impacted by staff shortages in MIS
- AC1.4: 'Failure to record Apprenticeships, their enrolments, and their data on a timely basis' – no change and remains a 'red' risk
- AC1.6 'Difficulty in recruiting and retaining qualified MIS staff' remains 'red' as recruitment continues to remain a difficulty
- Although AC2 is rated 'green' the overall IT related risk remains at 'amber'

Members discussed the issues raised, commenting on the challenges that remain regarding enrolment of apprentices. The enrolment system is currently being developed, but enrolment will be a risk for next year and the Committee agreed that this should be closely monitored.

Recruiting staff for MIS remains difficult and members were advised that, although there had been plans to outsource the management of the database to an external host, this had proved difficult due the supplier not having relevant skills staff. Members were advised that the current team are beginning to take ownership within the department, which has been encouraging, so potentially there may be a different approach to the structure of this department. There are currently 7 vacancies within a team of 20, so this is having an impact on the department. The Committee agreed to continue to closely monitor this area at each meeting.

It was agreed that the proposed changes to the risk register are made.

Resolved
The Audit Committee endorses and commends to the Corporation Board the Risk Register: Summer Term 2023 relative to the risks assigned to the Committee

AC.23.23   Post-16 Audit Code of Practice for 2022/23
The Director of Governance presented for information the Post-16 Audit Code of Practice (the Code) for 2022/23

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, noting that the major change relates to meeting the requirements in HM Treasury's document 'Managing Public Money' (MPM) and other related obligations arising from the reclassification of Colleges by the Office for National Statistics (ONS).

In discussion, members were advised that relevant College policies and procedures, including the Financial Regulations, are being updated in the light of the reclassification. However, there is a revised financial handbook from the ESFA due to be published at the end of 2023/24 which will fully set out how College's must comply following reclassification and at that time the College's financial regulations will be further updated to reflect any further required changes.

Agreed
The Audit Committee agreed to receive and note the document

AC.24.23   Terms of Reference and Standing Orders of the Audit Committee for 2023/24
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 suggested that the annual report could be expanded, setting out each specific requirement rather than stating it should be in line with the latest Code.

Resolved
The Audit Committee approves and commends to the Board the Terms of Reference and Standing Orders of the Audit Committee 2023/24, subject to amendment as discussed

AC.25.23   Annual Schedule of Business of the Audit Committee for 2023/24
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 2023/24. The Committee reviewed the document and agreed this was appropriate. However, it was agreed that the schedule of business would be further reviewed if necessary once the revised financial handbook had been published as there may be additional items of business for the committee to consider.

Resolved
The Audit Committee approves and commends to the Board the Annual Schedule of Business of the Audit Committee for 2023/24

AC.26.23   **Review of College Policies**
The Chief Operating Officer presented, for consideration and approval,

- OSC37 – Best Value Policy

The Committee was advised that there are no changes proposed. However, the policy will be updated next year to reflect any requirements from the reclassification of Colleges by the ONS and MPM

Members reviewed the policy and agreed there were no changes required.

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

- OSC37 Best Value Policy

AC.27.23   **External Audit Strategy for Financial Statements year ending 31 July 2023**
The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Strategy for year ended 31 July 2023.

Members considered the key issues arising from the report:

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

The Committee was advised that the document reflected the clarifications and updates in the 2022/23 Accounts Direction published by the ESFA and that the regularity assurance process has remained in place for 2022/23, and follows guidance by the ESFA and Post-16 Audit Code of Practice. Following the ONS reclassification of colleges, consideration will also be given to the College's compliance with the MPM requirements.

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

- Going concern assessment
- Income recognition
- Bank loan covenants
- Regularity
- Capital works
- Management override of controls
- Related party transactions
- Accounting estimates

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 2022/23 was appropriate. It was pleasing to note that there was a dedicated member of staff in finance who will focus on the preparation of the accounts in order to avoid any delay in their completion.

Members were advised of the following fees proposed for 2022/23, which are exclusive of VAT

Financial Statements audit	£28,435
Regularity assurance	£2,100
Teachers' Pension Scheme audit	£1,840

Members considered the fees quoted, noting that the fee increase form the prior year includes an inflationary increase of circa 5% in line with the prior year proposals as well as an additional fee of £2,500 to reflect the anticipated time to be incurred in relation to the revised ISA 315 and ONS reclassification. In discussion, the Committee asked for clarification on the additional fee as this represented almost 10% of the audit fee and were advised that this was an initial set up cost and, although this will be a recurring cost, it will reduce in subsequent years.

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 2023 and the fees proposed

AC.28.23　**Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Auditor for 2022/23**
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 2022/23.

Resolved
The Audit Committee endorses and commends to the Corporation Board for acceptance and approval for the period 2022/23, without amendment, the Letter of Engagement between Buzzacott and the College

AC.29.23　**Internal Audit**

Risk and Assurance Progress Report – June 2023
Members received the Progress Report noting the internal audits completed and those planned for remainder of 2022/23.

It was noted that the planned Risk Management – Board assurance audit, which had been deferred from December due to inspection, would be taking place on 10 July and the outcome presented to the next meeting.

Risk and Assurance Reports
The Committee received the following final Risk and Assurance reports

- Funding Assurance
- Examinations
- Follow up of previous recommendations

Funding Assurance

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'*

One medium and three low recommendations have been made and members noted the actions being taken to address these.

Members commented on the positive outcome of this audit and acknowledged the amount of work undertaken by the MIS team and asked that thanks be passed on to them

Examinations

The Committee reviewed the detail of the report, noting:

Assurance Opinion: Limited *'governance, risk management and control arrangements provide limited assurance that the material risks reviewed are managed effectively. Urgent and significant action is required to improve the adequacy and/or operation of internal control'*

Five medium and two low level recommendations have been made and members noted the actions being taken to address these.

The COO advised the Committee that Exams had been an area of concern as there were a number of changes being implemented and consequently an internal audit was requested. There has been a number of changes in the staffing of this area and it is a risk highlighted within the Learning and Quality Committee risk register who will continue to monitor this as this will impact on the students.

In discussion, members agreed that some comfort can be drawn from the fact that the College had highlighted this as an area of concern and was addressing the issues raised. It was important that the actions being taken are contained within the audit tracker with due dates in order that the Committee can continue to monitor the progress made at the next meeting.

Follow-up of previous recommendations

The Committee reviewed the detail of the report, noting that good progress has been made in implementing recommendations that were in scope for the review, raised during 2020/21 and reports from prior years.

Internal Audit Plan for 2023/24

The Internal Auditor presented, for consideration and approval, the Internal Audit Assurance Strategy and Annual Plan for 2023/24.

Members reviewed the detail of the report, noting the

- Opinions
- Audit Plan requirements
- Prior internal audit coverage, assurances and audit universe
- Summary of audit areas proposed for 2023/24

In discussion, members considered whether the areas of High Needs, Pensions and Estates should be in included in the next year. Members were advised that the College's Property Strategy is currently being revised and consequently it would not be appropriate for any internal audit to be carried out in this area until this has been completed.

The area of high needs has recently recruited a very experienced Assistant Principal who will be reviewing procedures within this area and time should be given for her to assimilate herself with the area before any internal audit is conducted. The College currently has a consultant looking at processes within pensions at this time and will be reporting on these so it could be an area to be reviewed the following year.

The Committee agreed that the areas highlighted for 2023/24 were appropriate.

Resolved
The Audit Committee
- agreed to accept the
  - ➢ Progress Report – June 2023
  - ➢ final internal audit reports for
    - Funding Assurance
    - Examinations
    - Follow-up previous recommendations
- Approve and recommend to the Corporation Board for approval the Initial Internal Audit Assurance Strategy and Annual Plan for 2023/24

AC.30.23   **Review of outstanding audit items – Audit Tracker**
The Chief Operating Officer presented the audit tracker, which reported on outstanding audit issues.

Members reviewed the detail of the report, noting the progress of recommendations. Of the 48 recommendations received to date, 15 are closed and 4 have been superseded by subsequent audits. Of the 31 outstanding audit recommendations, 19 have been received from audits concluded in the current year.

At the last meeting, the Committee commented on the number of items that were past the deadline stated with the revised deadline incomplete and were pleased to see that action have been taken since the last meeting to ensure items have been fully completed. However, there were still one or two that had not been closed off and asked that action is taken to ensure that they are.

Agreed
The Audit Committee agreed to receive and note the report, subject all items being fully closed off where appropriate

AC.31.23   **KPI Dashboard**
The Committee received the KPI Dashboard to 30 April 2023.

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

It was noted that the following were not included on the dashboard and asked that an updated version to include these is circulated

- Staff costs as a percentage of total income
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cash flow forecast

Agreed
The Audit Committee agreed to receive and note the KPI Dashboard

Paul Goddard and Katherine Patel left the meeting

AC.32.23   **Reappointment of Internal Auditor**
The Chief Operating Officer presented a report, which detailed a proposal to extend the current internal auditor, Scrutton Bland, for a further one year.

Members were reminded that
- Scrutton Bland were appointed as the College's internal auditor for a 3-year period to July 2023
- they have not completed the full cycle of internal audits, including the Board assurance review that was due to take place last December, but was deferred due to the Ofsted inspection and is still outstanding
- due to budget constraints limiting the number of audit days, follow up audits have not been completed to review the progress against previous audit recommendations

The Committee was advised that the College is proposing that Scrutton Bland's appointment is extended by one year to July 2024.

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

- Internal audit goes out to tender in November 2023, a retender proposal will be considered at this meeting
- by the March 2024 meeting, the Committee is able to consider the appointment of the internal audit

Resolved
The Audit Committee approves and recommends to the Corporation Board for approval the reappointment of Scrutton Bland for a one year period to July 2024

AC.33.23   **Any Other Business**
The Chair of the Committee took the opportunity to ask members what they considered had worked well for the Committee during the year and areas where perhaps something could be done differently.

Members considered that the following had worked well during the year
- new external governance portal, hosted by Team Engine, giving much better access to agendas and papers for meetings
- oversight of the delays surrounding the previous financial statements and steps taken by the Committee to ensure this was not repeated

Members reaffirmed their commitment to continue with 'stretch and challenge' of the Executive in all areas of risk that are brought before the Committee.

The Director of Governance took the opportunity to remind the Committee the training and development opportunities that were available to all governors through the ETF Governance Development Programme, particularly around finance and audit modules.

There was no other business.

AC.34.23   **Dates of Scheduled Meetings: 2023/24**

Thursday 30 November 2023
Thursday 14 March 2024
Thursday 13 June 2024

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

SIGNED AS A CORRECT RECORD:

DATE: 30 November 2023