

## THE CORPORATION OF EAST SURREY COLLEGE

### AUDIT COMMITTEE

#### MEETING HELD ON THURSDAY 30 NOVEMBER 2023 AUDITORIUM, EAST SURREY COLLEGE

Meeting commenced: 16.10

Meeting ended: 18.00

#### Present

Alex Hayman  
Grace Marriott  
James Marshall

Independent Member                      Chair  
Independent Member  
External Co-opted Member

#### In attendance

Karen Feenstra  
Lindsay Pamphilon  
Eva Dixon  
Kevin Squire  
Kam Dehal  
Paul Goddard  
Katherine Patel  
Pearl Bugden

Independent Member designate  
Chief Executive & Principal  
Chief Operating Officer  
Assistant Principal Finance & Resources  
Executive Director Commercial & Partnerships  
Internal Audit Service - Scrutton Bland  
External Audit Service - Buzzacott LLP  
Head of MIS & Client Services

#### Clerk to the Committee

Sue Glover

Director of Governance

The Chair welcomed everyone to the meeting and introduced Karen Feenstra who will be joining the Board in December and will be serving on this committee once appointed.

#### **AC.35.23      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.36.23      Apologies for absence**

There were no apologies for absence.

#### **AC.37.23      Notification of any other business**

The Committee agreed that there was no other business to discuss.

#### **AC.38.23      Unconfirmed minutes of the meeting of the Audit Committee held on 15 June 2023**

The minutes of the meeting were approved and signed as a correct record, subject to amendment to reflect the level of risks under risk management as discussed.

**AC.39.23 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.40.23 Fraud, Irregularity and Whistleblowing matters**

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

The internal auditor brought to the attention of the Committee the rising levels of fraud across the sector. Members asked the Executive to review how fraud was communicated and monitored across the College and to report back on the outcome at the next meeting.

**AC.41.23 Internal Audit**

**Risk and Assurance Progress Report – November 2023**

Members received the Progress Report noting the internal audits planned for 2023/24 and dates when the final reports will be presented to the Committee.

It was noted that possible additional work may be necessary for Subcontracting, but that confirmation on whether this is required is awaited from the ESFA.

**Risk and Assurance Report on Subcontracting Standard**

The Internal Auditor presented the final report on the Subcontracting Standard.

The Committee was advised that

- The audit was to undertake an independent review of the College's compliance with the new subcontracting reporting requirements, aligned with the ESFA's 'Subcontracting Rules for ESFA Post-16 Funding 2022 to 2023'
- The internal auditors '*consider that the College has taken steps towards meeting new subcontracting standards. During our audit we identified that there are some gaps in compliance. We have identified some further areas for improvement regarding the update of existing documents to meet the new requirements*'

Members reviewed the detail of the report, noting the six recommendations raised to improve the performance of the system of internal controls and the Action Plan in place to address these. It was acknowledged, that some recommendations have been designed to cover more than one area for improvement, making a total of ten recommendations being raised.

In discussion, members were advised that there have been a number of challenges regarding contracts being in place before the start of learning each year as many are rolled over, making this difficult for contracts to be signed before the start date. However, the Executive are fully aware of the issues and steps have been taken to manage this. Of the recommendations raised, five have been met and are reflected within the audit tracker so that the Committee is able to monitor the progress made.

### **Annual Internal Audit Report for 2022/23**

The Internal Auditor presented for consideration and review the Annual Internal Audit Report 2022/23.

Members considered key sections of the report, in particular

- The audit opinion
- Key observations and management actions on previous recommendations
- Internal audit Planned Coverage and Output
- The Quality Assurance Improvement Programme
- Performance Indicators
- Summary of findings for the year ended 31 July 2023
- Audit Benchmarking Data

Members noted that it was the opinion of the Internal Auditors for the year ended 31 July 2023 that the College has:

- Adequate and effective risk management processes
- Has adequate and effective governance processes, and
- Not all control processes are adequate and effective

It was noted that the opinions would contribute towards the assurances used by the Committee when preparing the Annual Report for the Corporation Board.

#### **Resolved**

The Audit Committee agreed to accept the

- Progress Report – November 2023
- final internal audit report for Subcontracting Standards
- Annual Internal Audit Report for 2022/23

#### **AC.42.23 Board Assurance Framework**

The Chief Operating Officer presented a report to provide an update on the implementation of the Board Assurance Framework (BAF).

Members reviewed the detail of the action to be taken and the timescales to implement the BAF, noting that work will commence in January 2024 and the training opportunities would be available for the Committee and the Board to engage with the BAF.

The Committee were pleased to note the extent of the commitment to implementing the BAF, stressed the importance of this framework to further the controls and assurance environment for the college, and asked that a further update is brought to the next meeting in March.

#### **Agreed**

The Audit Committee agreed to receive and note the report

#### **AC.43.23 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, 11 are closed and 4 have been superseded by subsequent audits.

The Committee raised concern on the number of revised deadlines being given and asked that the reasons why these are made and by who should be clearly identified in the audit tracker. The committee asked for greater clarity over the governance for ensuring recommendations are actioned fully and in line with original targets.

The Committee has the responsibility for monitoring the progress of all recommendations made following internal audits and having oversight of the risks associated with these and the impact they may have on the College should they not be implemented. It was important that there is a clear process in place for the monitoring of all audit recommendations so that the Committee has the confidence that all recommendations made are implemented and thus not putting the College at risk.

Members asked that the Chief Operating Officer ensures that a clear process is put in place so that the Committee can monitor all recommendations at each meeting.

### **Agreed**

The Audit Committee agreed to

- Receive and note the audit tracker
- The Chief Operating Officer puts in place a clear process for the committee to monitor all recommendations at each meeting

### **AC.44.23 Post-Audit Management Report for ESC for the year ended 31 July 2023**

The External Auditor presented its Post-Audit Management Report to the Audit Committee: Year Ended 31 July 2023.

The Committee considered the detail of the Report, in particular

- Executive summary
- Financial performance and going concern
- Key audit findings
- Key audit risks and outcomes
- Audit observations and recommendations
- Pension comparison
- Comparison of financial ratios
- Sector developments

Members were advised that

- work is complete with the exception of the following:
  - Going Concern assessment covering a period to at least December 2024 including latest management accounts and cash flow projections
  - R14 final funding reconciliation
  - GLA funding audit results
  - receipt of the Letter of Representation
  - confirmation immediately prior to the financial statements being signed that no significant events have taken place since the time of the audit that would impact on the financial statements
- 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, subject to outstanding items being completed
- no significant issues were found in the accounting and internal control systems during the audit

The External Auditor advised that the Going Concern assessment would be confirmed once all outstanding audit items have been completed but the report presented includes a positive assessment of the College's going concern position.

In terms of financial performance, the Committee was advised that the

- College generated an operating deficit for the year of £414k (2021/22 – surplus £87k) against a budgeted break-even position
- total comprehensive income is a surplus of £3,143k (2021/22 – £13,770k)
- College's total reserves have increased by £3,143k (2021/22 - £13,770k), providing net assets of £37,517k (2021/22 - £34,374k)
- College values its net current assets at £6.9m and the financial health grade for 2022/23 is 'good'

Members acknowledged that the controls put in place following last year's audit process had made a good impact to ensure that the audit was completed on time and 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 7 December 2023.

#### **AC.45.23 Annual Report and Financial Statements for East Surrey College 2022/23**

The Chief Operating Officer presented the draft Annual Report and Financial Statements for the Year Ended 31 July 2023.

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 of the sections, noting 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 2023 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'*

**AC.46.23 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 2022/23 on behalf of the College

**AC.47.23 Letter of Representation in respect of the Financial Statements for the year ended 31 July 2023**

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2023.

Members noted the detail of the Letter of Representation, which will be presented to the Corporation Board on 7 December 2023.

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 2023
- Post-audit management report for the year ended 31 July 2023
- the Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2023
- the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2023

**AC.48.23 Meeting of the external auditor with the Audit Committee**

The external auditor advised members that there were no issues to raise and that she did not wish to meet with the Committee without staff present to discuss any matters.

#### **AC.49.23 Annual Report of the Audit Committee: 2022/23**

The Director of Governance presented the Annual Report of the Audit Committee on the work of the Audit Committee during 2022/23.

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. However, it was felt that in the light of the opinion from the internal auditor surrounding internal controls, this area could be expanded to reflect the processes in place for the year ahead.

The Committee was pleased to present the report to the Board on 7 December 2023 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, subject to amendment as discussed.

#### **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, subject to amendment as discussed

#### **AC.50.23 Annual Risk Management Report: 2022/23**

The Chief Operating Officer presented, for consideration and approval, the Annual Risk Management Report: 2022/23.

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
- Summary of internal audits completed
- Summary of strategic risks
- Corporation responsibilities for risk
- Management of risks
- Conclusion

The Committee recognised that the implementation of the Board Assurance Framework in 2023/24 would bring a greater degree of visibility to all risks and give a better understanding of what the key risks, enabling a greater level of challenge by the Committee and by the Board. It was agreed that moving forward the Audit committee would have visibility of all risks (including those covered by other sub committees), and that there should be an effort to review the group risks with an objective of reducing the total number considered at Board with reference to materiality.

**Resolved**

The Audit Committee endorses and commends the Annual Risk Management Report: 2022/23 to the Corporation Board for acceptance and approval.

**AC.51.23 Risk Management: Autumn 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 that recruiting and retaining qualified MIS staff continues to remain a difficulty and will be discussed further under the following agenda item.

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: Autumn Term 2023 relative to the risks assigned to the Committee

**Katherine Patel left the meeting**

**Pearl Bugden joined the meeting**

**AC.52.23 Key College Risks - MIS Staff and Systems**

The Head of MIS & Client Services presented a report detailing a deep dive into long standing red risks around key MIS staff and systems.

Members were updated on the current position, progress made and recommended next steps aimed at moving risks to an acceptable level.

The Committee considered the detail of the report, noting

- The background to the
  - reinstatement of systems and reporting following the cyber-attack in 2019
  - harmonisation and streamlining of systems following merger of ESC and JRC
- staffing levels for MIS, Client Services and Exams teams
- the progress made in recruitment of key staff
- previous actions taken with outsourcing, interim support
- next steps regarding staffing and systems/projects



The Committee thanked the Head of MIS & Clients Services for a very informative update on the current level of staffing in the department and the challenges with implementing systems and processes.

Members agreed that this area presents the biggest risk to the College and it was good to see the positive steps being made to address the issues.

**Agreed**

The Audit Committee agreed with the approach outlined in the report and the next steps to be taken relating to staffing and systems and projects

**Pearl Bugden left the meeting**

**AC.53.23**

**Value for Money**

The Chief Operating Officer presented, for information, a report on Value for Money.

Members were reminded that one of the Strategic Aims of the College is '*we manage robust delivery structures and generate strong finances which enable us to invest in the sustainable future of the College community*' and to underpin this aim, the College continues to ensure Value for Money in the use of public funds.

Members reviewed the following key areas identified in the report as being of particular importance in assessing value for money:

- Staff Utilisation
- Class Sizes
- Large Contract Procurement
- Managing Public Money

Members noted the impact measures arising from the report.

**Agreed**

The Audit Committee receives and notes the report.

**AC.54.23**

**Code of Good Governance for English Colleges**

The Director of Governance presented, for information, a report outlining the College's Audit Review of Compliance with the Code of Governance for English Colleges.

The Committee was reminded that the

- Code of Good Governance for English Colleges was adopted by the College at the meeting of the Corporation Board held on 9 July 2015 and implemented with effect from 1 August 2015
- funding agencies continue with the current funding condition that English colleges either adopt this Code or alternatively have due regard to the UK Corporate Governance Code or Charity Code. Each College should state its adoption of the Code in the corporate governance statement contained in its annual audited statements.

It was noted that

- the Code was updated by the AoC and a revised version published in October 2021. Since this date, the Search and Governance Committee have considered the changes during their meetings in 2022/23 and approved a final version of the audit of compliance in October, which will be endorsed by the Board in December

- work was undertaken in April 2023 by the AoC to revise the code and a new version was published in September. The Search and Governance Committee at their meeting in October have recommended that the Board continues to adopt the code, utilising the new version
- as the audit of compliance is a lengthy document, the finance and audit section has been extracted for the committee's review

The Committee noted the key impact measures arising from the report.

**Agreed**

The Audit Committee receives and notes the report.

**AC.55.23**

**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 2022/23.

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.56.23**

**KPI Dashboard**

The Committee received the KPI Dashboard to 31 October 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
- 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

**AC.57.23 Any Other Business**  
There was no other business.

**AC.58.23 Dates of Scheduled Meetings: 2023/24**

Thursday 14 March 2024

Thursday 13 June 2024

**At the conclusion of the Part 1 meeting, members moved into a meeting restricted, in accordance with the requirements of the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Corporation and to senior members of staff of the College.**

**SIGNED AS A CORRECT RECORD:**

**DATE:** 16 April 2024

A handwritten signature in black ink, appearing to read "Alex Hume", with a horizontal line underneath the name.