



## THE CORPORATION OF EAST SURREY COLLEGE

### AUDIT COMMITTEE

MEETING HELD ON WEDNESDAY 11 MARCH 2015

Meeting commenced: 18.00

Meeting ended: 19.40

#### PRESENT

Mr Michael Axelrod	Independent Member	Acting Chair
Mrs Rosemary French	Independent Member	
Ms Susan Kay	Independent Member	
Mr Brian Smith	Independent Member	

#### IN ATTENDANCE

Mrs Jayne Dickinson	Principal and Chief Executive
Mr Kevin Standish	Deputy Principal: Curriculum and Standards
Mrs Ann-Christine Harland	Vice Principal: Finance and Resources
Ms Lorna Raynes	Baker Tilly: Internal Audit Service

#### APOLOGIES FOR ABSENCE

Dr Andrew Gilchrist	Independent Member
Mrs Isobel Wallace	External Co-opted Member
Mr Mike Cheetham	Baker Tilly: Internal Audit Service
Mr Dominic Blythe	Baker Tilly: External Audit Service

#### CLERK

Mrs Sue Glover	Clerk to the Corporation
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#### AC.01.15 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.

#### AC.02.15 APOLOGIES FOR ABSENCE

Two members of the Committee submitted apologies for absence from the meeting

Dr Andrew Gilchrist	-	personal commitments
Mrs Isobel Wallace	-	personal commitments

The Audit Committee agreed to accept the apologies for absence.

In the absence of the Chair, Dr Andrew Gilchrist, it was agreed that Mr Michael Axelrod would Chair the meeting. As the absences had been known in advance, Ms Susan Kay had been invited to attend as an independent member to provide relevant expertise and to ensure that the meeting was quorate.

#### AC.03.15 NOTIFICATION OF ANY OTHER BUSINESS

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

#### AC.04.15 UNCONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 4 DECEMBER 2014

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

**AC.05.15 MATTERS ARISING AND ACTION POINTS FROM THE MINUTES OF THE PREVIOUS MEETING**

Members agreed that there were no matters arising from the minutes of the previous meeting.

Members noted that all Action Points had been satisfactorily completed.

**AC.06.15 INTERNAL AUDIT: REVIEW OF OUTSTANDING AUDIT ITEMS**

The Vice Principal: Finance and Resources presented, for consideration, a report on outstanding audit items.

Members were advised that

- following the Baker Tilly internal audit reviews in 2013/2014 the College received 16 internal audit points, a reduction from the 24 noted the previous year
- the internal audit issues are categorised as 1 high risk point (relating to the new HR/Payroll system), 5 medium risk points and 10 low risk points
- at 1 March 2015, 9 of the risk points have been cleared; 2 medium and 7 low risk points
- measures to clear the outstanding 1 high risk point, 3 medium and 3 low risk points have been taken and are in progress
- delays in getting the interface working have occurred for the colleges using the EBS system, progress is dependent on SISSC systems and timescales
- the Internal Auditor will review progress during the next internal audit visit in April 2015

Members were reminded of the lead role played by the College in the implementation of new systems in conjunction with SISSC and recognised the impact that this has had in the pursuit of the identified outstanding issues.

The Committee noted the request for the date of completion of the outstanding point 5 item, which relates to checks made to ensure that tuition fees are raised for all relevant students and where progress is dependent on SISSC systems and timescales, to be extended to 31 July 2015.

**AGREED**

The Audit Committee

- receives and notes the report
- approves the request for the date of completion of the outstanding point 5 item to be extended to 31 July 2015

**AC.07.15 INTERNAL AUDIT ASSIGNMENT REPORT: MARCH 2015**

The Internal Auditor presented, for consideration and approval, the Internal Audit reviews carried out in November 2014.

**Internal Audit Assignment Report (2.14/15)**

Procurement and Payments

**Recommendations made**

High – 0

Medium – 2

Low – 0

**Conclusion**

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitable designed, consistently applied and effective

## **Current Assessment**

Green

### Strategic Business Planning

#### **Recommendations made**

High – 0

Medium – 0

Low - 0

#### **Conclusion**

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

## **Current Assessment**

Green

### Learner Number Systems – Apprenticeships and Workplace Learning

#### **Recommendations made**

High – 1

Medium – 2

Low – 2

#### **Conclusion**

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

## **Current Assessment**

Amber

Members noted that

- the sharing of procurement resource is being explored further with SISSC Colleges and Reigate College
- the recommendations made in the Learner Number Systems report have all been responded to by the Executive and appropriate action is being taken with completion dates

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

### **RESOLVED**

The Audit Committee approves Internal Audit Report (2.14/15).

#### **AC.08.15**

#### **INTERNAL AUDIT LETTER OF ENGAGEMENT: 2014/2015 AND INTERNAL AUDIT CHARTER: JANUARY 2015**

The Internal Auditor presented, for consideration and approval, the Internal Audit Letter of Engagement: 2014/2015 and the Internal Audit Charter: January 2015.

Members were reminded that the Audit Committee considers for approval, on an annual basis, the Internal Audit Letter of Engagement.

Members considered the detail of the Letter, in particular

- Scope of Work
- Timetable
- Reporting
- Contact Points and Authorisation
- Fees
- Terms and Conditions of Business and Additional Terms

Members were advised that the Internal Audit Charter is a new document outlining in more detail the purpose, authority and responsibilities of the internal audit service for the College and is consistent with accepted best practice.

Members discussed both documents, in particular

- The Letter of Engagement makes reference to giving a 'conclusion' in the annual internal audit report rather than an 'opinion'. Members agreed that an 'opinion' is required from the internal audit service and not a 'conclusion' and the wording should be amended accordingly
- The Committee's Terms of Reference should be reviewed in the light of the Internal Audit Charter to establish whether there are any further functions with regard to internal audit that needed to be included

#### **RESOLVED**

The Audit Committee approves, subject to minor amendment, and commends for approval by the Corporation Board, the Internal Audit Letter of Engagement: 2014/2015 and the Internal Audit Charter: January 2015.

#### **AC.09.15**

#### **RISK MANAGEMENT: SPRING TERM 2015**

The Vice Principal: Finance and Resources presented a report which provided an update on

- the College risk review process for the Spring Term 2015
- the monitoring of **Risk S9: Severe business disruption and O3: Failure to maintain timely and accurate learner data**

Members considered and discussed:

- **Risk S9: Severe business disruption:** 'Low' risk– no change

Members noted that the risk encompasses the response to external factors eg pandemics, damage to buildings, together with more localised factors and that there are no current high level contributory factors for Risk S9.

- **Risk O3: Failure to maintain timely and accurate student data:**  
'Significant' risk – no change

Members noted that this has been updated for the current data concerns arising internally for 2014/15 and that the current status of activity against the Action Plan for the high level contributory factors should remain. One key change to the funding methodology has been the requirement for all 16-18 year old learners to be working towards achieving a Grade C in GCSE Maths and/or English if they have not already attained these. Considerable resource has been given to the planning and timetabling of this area as failure to be enrolled on a suitable course may impact on the EFA funded learner target for 2015/16. A further key area is the monitoring of the work experience element of Study Programmes, for which the College has invested in new software, MyWorkSearch. This risk currently remains medium.

Members were advised that the internal Risk Management Committee had met in February 2015 and noted the following key changes made to the assessment of risks:

- Risk S4 – Failure to recruit 16-18 targets has increased to become the highest College risk
- Risk S2 – Failure to achieve 19+ student targets has increased to a 'Fundamental' risk
  
- The factors affecting these changes are being discussed with both the Learning and Quality and Finance and Resources Committees and the current three year financial forecast illustrates the effects of not attaining the grant targets in 2014/15
- Scoring of 3 risks has reduced this term
  - Risk S6 – Inability to attract/retain staff
  - Risk S3 – Failure to move towards Outstanding
  - Risk S1 – Failure to meet Employer, Community and other Stakeholder needs

Members noted the key impact measures of the report.

#### **RESOLVED**

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Spring 2015 relative to the risk assignments

#### **AC.10.15**

#### **APPOINTMENT OF NEW EXTERNAL AUDITORS**

The Vice Principal: Finance and Resources presented an oral update on the progress of the tender exercise to appoint new external audit providers from 1<sup>st</sup> April 2015.

Members were advised that the tender process had resulted in eight audit firms being invited to tender for the College's external audit. Out of these eight, the following four audit firms had submitted tender documentation:

- Buzzacott
- Mazars
- Moore Stephens (Guildford) LLP
- UHY Hacker Young

The Committee was advised that the process had taken longer than expected which meant that the tender documentation from the above audit firms had not been received in time to make any recommendation at this meeting.

The tender documentation received will be reviewed by the Vice Principal: Finance and Resources and the Chair of the Audit Committee who, together with the Principal and Chief Executive, will meet with the successful candidates on 23 March 2015 and a recommendation for the appointment of a new external audit provider will be presented to the Corporation Board at the meeting on 26 March 2015.

Members discussed the proposal and agreed that this was the best approach.

#### **RESOLVED**

The Audit Committee commends to the Corporation Board that the recommendation for the appointment of a new external audit provider is presented by the Chair of the Audit Committee at the Corporation Board meeting on 26 March 2015

**AC.11.15 SHARED SERVICES IN SUSSEX AND SURREY COLLEGES**

The Vice Principal: Finance and Resources presented the SISSC Principals' Bulletin Number 9 – 26 February 2015.

Members noted the key elements of the Bulletin

**Finance**

- System implementation and configuration and set up has been completed at Sussex Coast College
- The go live date for City College Brighton has been postponed at the request of their interim Finance Director

**Payroll, HR and e-Recruitment**

- Milestone 4 - updated model required to ensure new statutory HMRC payment changes, applicable from April 2015, installed and working for payroll
- Brooklands College is ready to go live in April 2015
- Northbrook and Brighton client builds have progressed well but progress halted temporarily to support Milestone 4 testing prior to installation from April 2015

Negotiations with one of the partner colleges in financial difficulties has resulted in an agreement being reached and final legally binding documentation has been agreed and validated by both SISSC's and the college's solicitors. It was noted that the agreed outstanding amount will be paid in monthly instalments.

**AGREED**

The Audit Committee receives and notes the report.

**AC.12.15 KPI DASHBOARD**

The Committee received the KPI Dashboard: January 2015.

**AGREED**

The Audit Committee receives and notes the KPI Dashboard: January 2015.

**AC.13.15 ANY OTHER BUSINESS**

There was no other business.

**AC.14.15 DATES OF SCHEDULED MEETINGS: 2014/2015**

Thursday 11 June 2015 commencing at 18.00

**SIGNED AS A CORRECT RECORD:**



**DATE:** 11 June 2015