

AUDIT COMMITTEE

MEETING HELD ON THURSDAY 13 JUNE 2024, VIA MICROSOFT TEAMS

Meeting commenced: 16.15

Meeting ended: 18.15

Present

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

Apologies for absence

Dan Hards	Independent Member
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In attendance

Lindsay Pamphilon	Chief Executive & Principal
Eva Dixon	Chief Operating Officer
Kam Dehal	Executive Director Commercial & Partnerships
Paul Goddard	Internal Audit Service: Scrutton Bland
Katharine Patel	Financial Statements Auditor: Buzzacott

Clerk to the Committee

Sue Glover	Director of Governance
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AC.15.24 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.16.24 Apologies for absence

Apologies for absence were received from

- Dan Hards - business commitments

The Audit Committee agreed to accept the apologies for absence.

AC.17.24 Notification of any other business

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

AC.18.24 Unconfirmed minutes of the meeting of the Audit Committee held on 16 April 2024

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

AC.19.24 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 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.20.24 Fraud, Irregularity and Whistleblowing matters

The COO presented a report provided by the Interim Director of Finance regarding the potential scope for fraud and identifying any areas where there may be weaknesses susceptible to fraud at the College, which had been requested by the Committee.

Members were advised that the report is

- advisory only and the scope limited to core College business and no reference is made to revenue, capital claims or financial reports submitted by the College Group
- not seeking to detect fraud at the College, although areas of weakness in the system of financial control that open the potential for fraud have been identified
- evidence has been through conversations with the Finance and the People Team and sampling of financial transactions has not been taken
- the areas of financial control review included
 - procurement
 - payroll
 - expenses claims
 - security of assets/inventory
 - petty cash/cash receipts from departments
 - bank fraud

The Committee considered the report and the recommendations made and, in response to questions, were advised that

- the financial regulations are updated on an annual basis and considered by the Finance and Resources Committee and approved by the Board
- there are a number of financial procedures in place but these need to be expanded to across the College
- a number of the recommendations made are already in train

In discussion, members made some further suggestions to the recommendations around the signing authority and clarity on material risk. The internal auditor suggested that the approach to anti-bribery and reflection on cyber security could be areas to consider including in the report.

It was agreed that the report would be updated to reflect the controls in place and suggestions made and presented to the autumn term meeting of the Committee for consideration.

Aside from the report presented, the Committee was advised that there were no other matters to report.

Agreed

The Audit Committee agreed to receive and note the report and that an update will be presented to the next meeting

AC.21.24 Review of outstanding audit items – Audit Tracker

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

It was noted that the report presented was in a new format and members agreed that this was a significant improvement on the previous version giving clearer visibility on audit actions. However, it had been difficult to view on the Team Engine platform as the internal audits and summary tabs were not clearly visible. It was suggested that perhaps for the next report many of the supporting tabs could be removed making it easier to review and agreed that the summary section was the most helpful to identify the progress of all recommendations. Overall, members agreed that good progress has been made.

The internal auditor advised that he would be able to provide some examples of audit trackers used in the sector, which may be helpful when making adjustments to the document.

Agreed

The Audit Committee agreed to receive and note the report and agreed that good progress is being made with the recommendations included in the report

AC.22.24 Risk Management: Summer Term 2024

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 decisions being made - risk downgraded from 'fundamental' to 'significant' risk
- AC2 – Severe business disruption – 'minor' risk – no change

Members considered and discussed the detail of the highlighted revisions to each of the risks, noting that there are no changes proposed for each of the contributory risks.

The Committee was advised the following risks have been reviewed by the College's Risk Management Committee and it is proposed these are removed from the risk register and managed as operations BAU as the major risks have been effectively mitigated:

- AC1.5 Inadequate management of subcontractors resulting in non-compliance with the funding agency rules
- AC2.3 Threat from antisocial behaviour whether on the College sites or in its environs
- AC2.4 Risk of fraud activities within the College not being identified
- AC2.6 Disruption caused by industrial action
- AC2.9 Global supply chain issues with vendors

In discussion, members considered that the risk relating to fraud should not be removed at this time in the light of the work being done around fraud as discussed earlier at this meeting. Aside from this risk, it was agreed that the other risks can be removed as these are operational.

Resolved

The Audit Committee endorses and commends to the Corporation Board the Risk Register: Summer Term 2024 relative to the risks assigned to the Committee

AC.23.24 Board Assurance Framework

The Internal Auditor presented slides on the outcome of the recent training exercise completed to establish the Board's appetite for risk.

Members were advised that

- The outcome is being shared with the COO who will now produce a report for the Board on the Board Assurance Framework
- The risk mapping exercise has identified 8 high level strategic risks that will be mapped to the Assurance Framework going forward
- These will help to inform the internal audit plan for 2024/25 which will be presented to the committee in the autumn term

The Committee was pleased to note the progress made on the BAF and high-level strategic risks and looked forward to receiving proposals at the next meeting.

Agreed

The Audit Committee to receive and note the update on the BAF

AC.24.24 Terms of Reference and Standing Orders of the Audit Committee for 2024/25

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 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 2024/25

AC.25.24 Annual Schedule of Business of the Audit Committee for 2024/25

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 2024/25. The Committee reviewed the document and agreed this was appropriate.

Resolved

The Audit Committee approves and commends to the Board the Annual Schedule of Business of the Audit Committee for 2024/25

AC.26.24 Review of College Policies

The Chief Operating Officer presented, for consideration and approval,

- OSC37 – Best Value Policy
- OCS40 – Fraud Policy

The Committee was advised that there are minor changes proposed to the Best Value Policy and, in view of these, it was suggested that this policy could be reviewed every 3 years rather than annually. The Committee agreed with this proposal.

In considering the Fraud Policy, it was suggested that this could be expanded to incorporate reference to Bribery if there was not a separate policy to cover this area. It may also be appropriate to rename the policy to make clearer that this relates to anti-fraud and bribery. It was agreed the COO would adjust the policy accordingly and bring back to the Committee for consideration at the next meeting.

Resolved

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

- OSC37 Best Value Policy

That the Fraud Policy is expanded to include Bribery and renamed if appropriate

AC.27.24

External Audit Strategy for Financial Statements year ending 31 July 2024

The External Auditor presented, for consideration and approval, the report on the East Surrey College External Audit Strategy for year ended 31 July 2024.

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 2023/24 Accounts Direction published by the ESFA and that the regularity assurance process has remained in place for 2023/24 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
- 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 2023/24 was appropriate.

Members were advised of the following fees proposed for 2023/24, which are exclusive of VAT

Financial Statements audit	£33,000
Regularity assurance	£2,400
Teachers' Pension Scheme audit	£2,100

Members considered the fees quoted, noting that the fee increase from the prior year includes an inflationary increase and is consistent with the pricing put forward in Buzzacott's tender. The Committee was advised the adjustments each year have been in line with the tender originally submitted.

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 2024 and the fees proposed

AC.28.24 Letter of Engagement: Financial Statements and Regularity and Teachers' Pension Auditor for 2023/24

The External Auditor presented, for consideration and approval, the terms of engagement between the College and Buzzacott LLP for the financial statements and teachers' pension scheme audits for 2023/24.

Members reviewed the detail of the Letters of Engagement and agreed that there are no changes required and that these could be signed by the Chair of the Corporation following endorsement by the Board.

Resolved

The Audit Committee endorses and commends to the Corporation Board for acceptance and approval for the period 2023/24 the Letters of Engagement between Buzzacott and the College for the financial statements and teachers' pension scheme audits

AC.29.24 Internal Audit

Risk and Assurance Reports

The Internal Auditor presented the following final Risk and Assurance reports

- Funding Assurance
- Health and Safety

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'

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

Members commented on the positive management responses made.

Health and Safety

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'

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

Members commented on the positive outcome and the areas of good practice in place across the College.

Audit by the Information Commissioner's Office (ICO)

The COO presented the full report, executive summary and action plan from the recent ICO audit.

Members were reminded that

- In November 2023, the College requested an audit from the Information Commissioner's Office (ICO)
- The purpose of the audit was to provide the ICO and the College with an independent assurance of the extent to which the College is complying with data protection legislation
- The outcome of a Limited assurance was advised to the Committee at the previous meeting, when it was agreed that the action plan to address the recommendations made would be reviewed

The Committee reviewed the action plan in place, noting that a number of actions have already been taken to address the recommendations made. Members were advised that the ICO will be conducting a follow up in August and the outcome from this will be shared with the Committee. A further full update will be presented to the Committee at the next meeting.

Safeguarding

The COO presented the outcome from the Safeguarding audit, which had been conducted at the College on 3 May.

Members considered the report, noting the extent to which the College is compliant in all relevant areas. Members agreed this was a good outcome and asked that thanks are passed to those in the Safeguarding team for their hard work and contribution to ensure the safeguarding of our learners.

Resolved

The Audit Committee agreed to accept the

- The final internal audit reports for
 - Funding Assurance
 - Health & Safety
 - ICO executive summary, report and action plan
 - Safeguarding

AC.30.24

KPI Dashboard

The Committee received the KPI Dashboard to 30 April 2024.

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.31.24 Any Other Business
There was no other business.

AC.32.24 Dates of Scheduled Meetings: 2024/25

Monday 9 December 2024 (in college)
Thursday 13 March 2025
Thursday 12 June 2025

All meetings commence at 4pm.

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

SIGNED AS A CORRECT RECORD:

DATE: 9 December 2024

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