

## East Coast College Audit Committee Meeting

21<sup>st</sup> November 2017 at 5.00pm

<b>Present:</b>	Rob Evans (RE) Tony Ing (TI) and Albert Cadmore (AC).	
<b>In attendance:</b>	Wendy Stanger (Director of Governance) Simon Eaton (Deputy Chief Executive) External Audit - Scrutton Bland and Internal Audit - RSM	
<b>Private Session</b>	<p>A private session was held with the internal and external auditors.</p> <p>No concerns were raised in regard to working relationships.</p> <p>The Internal Auditor raised that manageability of the risk register needs to be considered and this would be picked up under agenda item 5.</p> <p>The External Auditor raised that during this transition period the finance team had been under a lot of pressure. Consideration needed to be given to sustainability of the finance structure, data preservation and archiving.</p>	
<b>A/17/11/1</b>	<b>Apologies</b>	<b>Action</b>
Simon Gray (SG)		
<b>A/17/11/2</b>	<b>Declarations of Interest</b>	
There were no declarations of interest.		
<b>A/17/11/3</b>	<b>To approve the Minutes of the meeting of the Designate Audit meeting held on 18 7 17 and any other matters raised previously not otherwise included in the Agenda</b>	
The minutes were agreed and signed as a true record of the meeting.		
<b>A/17/11/4</b>	<b>To review the:</b> <b>A. post-meeting action log</b> <b>B. outstanding audit recommendations</b>	
<p>The post meeting action log was reviewed and it was noted that the requested changes had been made to the risk register contained at agenda item A/17/11/5.</p> <p>The Director of Governance advised that succession planning was to be included in the People Strategy being considered by the Corporation on 28 11 17.</p> <p>The Deputy Chief Executive advised that the College's insurance company, at no additional cost, were assisting with the production of an ECC Business Continuity plan. This would be brought to March's Audit Committee for review.</p>		<b>WS</b>



<p><b>archived and then reviewed annually. Those to be archived to be those risks at or below the risk appetite</b></p> <p><b>It was agreed that the next Audit meeting would look at specific risks.</b></p>		
<b>A/17/11/6</b>	<b>Internal Audit Strategy</b>	
<p>Internal Audit presented the strategy which included a 1 year plan and a 3 year plan. This has been discussed with the Deputy Chief Executive, Chair of Audit and Director of Governance and based on risk with the fee based on that tendered. The Chair of Audit had agreed that the plan could commence before sign off by the Audit Committee.</p> <p>The Chair commented that the programme made sense in terms of the risks.</p> <p>Governors challenged what the audit process would look at. The Internal Auditor advised that they would look at the design of the system, test its application and take into account outcomes. The sample testing would depend on when the audit is taking place if early in year will look to the previous year otherwise it will be in year testing too.</p> <p>Governors challenged if the Audit programme could be changed. The Internal Auditor advised that the 3 year plan would be updated annually and the annual plan for that year presented to the audit committee for approval. In year the plan could be amended if there were emerging risks that needed to be audited or if when scoping the audit it was no longer felt to be a current risk that needed reviewing or the scope needed to be re-focused.</p> <p><b>The Audit Committee resolved to:</b></p> <ul style="list-style-type: none"> <li><b>approve the Internal Audit Strategy at the tendered value.</b></li> </ul>		
<b>ECC/17/11/7</b>	<p><b>Internal Audit Reports:</b></p> <ul style="list-style-type: none"> <li><b>A. Great Yarmouth Annual Report</b></li> <li><b>B. ECC MIS Internal Audit</b></li> <li><b>C. Follow Up Audit</b></li> <li><b>D. Progress Report</b></li> </ul>	
<p><b>A. Great Yarmouth Annual Report</b></p> <p>The Internal Auditor presented the report and advised that the opinion for 2016/17 was a positive opinion that the organisation has an adequate and effective framework for risk management, governance and internal control and this could be reflected in the annual account statements. He advised that the report also included a summary of work carried out.</p> <p><b>B. ECC MIS Internal Audit</b></p> <p>The Internal Auditor presented the report and advised that the Deputy Chief Executive had directed the auditors to look at MIS due to it being a known risk area.</p> <p>The opinion was amber partial assurance. Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s) and there had been 1 high, 3 medium and 3 low actions agreed.</p>		

Governors commented that the audit reinforces that MIS is a critical area that needs to be kept under review as it has a high financial impact if incorrect as accuracy of data and submitting it accurately was key to funding.

The Deputy Chief Executive commented that as Governors were aware there had been issues with data following the amalgamation of the 2 colleges' systems and we were only now producing the ILR. This had been highlighted on the risk register.

Accurate management information was key to managing the College and staff had been finding it frustrating that data was not available and the delay of availability of data for the SAR. It is likely that not all data will be available until the end of the college year.

In relation to data for funding, a funding audit had been carried out on Lowestoft in the Autumn term and this had only identified minor technical issues

**C. Follow Up Audit**

The Internal Auditor presented the report and advised this was a follow up report on implementations of Internal Audit recommendations at Great Yarmouth. Management had commented that many of the recommendations had now been superseded or implemented on merger and this would be reviewed as part of the ECC follow up audit.

**D. Progress Report**

The Internal Auditor presented the report. A Progress Report will be presented to each Audit Committee and will include progress on plan, any changes to the audit plan and sector briefings.

Governors challenged if the VAT Brockenhurst case had been considered by the College. The Deputy Chief Executive advised that Vat Angles had been employed by Great Yarmouth to consider the case and had achieved a significant VAT refund for the college. They were now looking at Lowestoft to see if a refund is due.

The Director of Governance advised that a GDPR training session, facilitated by RSM, had been arranged for Governors and Managers in conjunction with other local colleges.

**The Audit committee resolved to:**

- **note the internal audit reports.**

F/17/11/8

**Annual Accounts**

**A. Great Yarmouth**

**B. Lowestoft**

**A. Great Yarmouth**

The External Auditor presented the management letter and explained its contents. She noted her thanks to the ECC finance team in producing the accounts in difficult circumstances. Section 1 sets out the areas that are still to be completed and section 2.2.2 a reconciliation between the management accounts and the annual accounts. She noted that the staff costs as a % of income had reduced to 65.51%. The Deputy Chief Executive advised this was due to the restructure.

The committee discussed the recommendations contained in the management letter, it noted that a number of them would be resolved with the implementation of the new HR system.

Governors challenged the reason for the high coding error rate. The Deputy Chief Executive advised that he needed to review the journals to ascertain the reason for the errors.

Governors challenged regarding the PAYE/NI not being paid on merger as required by the transfer agreement. The Deputy Chief Executive advised that payment was made in time to the revenue.

Governors challenged that the support staff to teacher ratio looked high. The Deputy Chief Executive advised that the % was not unusual for the sector.

The Deputy Chief Executive commented that the cash position was higher than anticipated and this has meant that the TU have withheld a £1/4 million grant as we cannot show need. Governors challenged whether this was a genuine better position or a timing issue. The Deputy Chief Executive advised that it was a genuine better position.

Governors challenged if the depreciation figures needed to be updated. The Deputy Chief Executive advised that the 2 colleges' depreciation figures had been carried forward and that these need to be reviewed.

The Deputy Chief Executive advised that there had been a technical breach of the bank covenants during the financial year, but the bank agreed to take no action due to the impending merger.

**The Audit committee resolved to:**

- **Recommend the Great Yarmouth annual accounts to the Corporation.**

**B. Lowestoft**

The Deputy Chief Executive updated the Committee regarding the Lowestoft accounts. These were not ready for auditing due to issues identified with the Lowestoft financial controls and records. All of the previous Lowestoft team had left and the remaining team had to work with a finance system that they were not familiar with, it had been decided on merger to use the Lowestoft financial system as it was a better system. Financial controls such as bank reconciliations and closing off the previous year's accounts on the system had not been carried out. This meant that additional work was required to produce the accounts.

Governors challenged why the financial controls had not been carried out. The Deputy Chief Executive advised that the Lowestoft Finance team had been under resourced with little senior management support and there had been a culture of non-compliance at Lowestoft. Financial controls had now been put in place.

Governors challenged when the Lowestoft accounts would be ready. The Deputy Chief Executive advised that the accounts should be ready to be presented to the Corporation on 28/11/17 but that this would not be the audited ones.

Thanks were recorded to the Finance & Procurement Manager and her team for their hard work in producing the annual accounts and in rectifying the control issues identified at Lowestoft.

SE

The Chair commented that the poor controls at Lowestoft confirmed the need for an Internal Audit service, as these issues would have been highlighted in Internal Audit reports.		
AC left the meeting		
<b>F/17/11/9</b>	<b>Audit Annual Report</b>	
<p>The Director of Governance presented the report, which was an annual report for the Great Yarmouth and East Coast College Audit Committee. It did not cover the Lowestoft Audit Committee as they had not met during the period of the report.</p> <p>Internal Audit commented that they would take into account that there had been no internal audit or audit committee coverage at Lowestoft for 16/17 within their audit programme.</p> <p>The Internal Auditor raised that the report's conclusion needed to cover the Committee's position on solvency and maintenance of assets.</p> <p><b>It was agreed that the Director of Governance would agree the revised conclusion wording with the Audit Chair.</b></p> <p><b>Governors resolved to:</b></p> <ul style="list-style-type: none"> <li><b>note and agree the contents of the annual report and approve, subject to the additional paragraph in relation to solvency and maintenance of assets being added, its submission to the Corporation.</b></li> </ul>		<b>WS</b>
<b>F/17/11/10</b>	<b>Review of Meeting</b>	
<ol style="list-style-type: none"> <li>Confidential Items: None</li> <li>Risk Management: None</li> <li>Health and Safety: None</li> <li>Equality and Diversity: None</li> <li>Media: None</li> <li>How did the meeting go: Very good and informative meeting with useful input from the external and internal auditors.</li> </ol>		
<b>F/17/11/11</b>	<b>Date of Next Meeting</b>	
6 March 2018		