

East Coast College Audit Committee Meeting

24th July 2018 at 5.00pm

Present:	Rob Evans (RE) Tony Ing (TI) Peter Lavender (PL) Albert Cadmore (AC)	
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Interim Deputy Chief Executive) External Audit - Scrutton Bland and Internal Audit - RSM	
Private Session	<p>A private session was held with the internal and external auditors when concerns were discussed regarding the financial systems and issues raised in the due diligence and audit reports.</p> <p>Governors raised concerns about the financial issues, how the situation arose and how it could be ensured that it did not happen again. The Corporation needed to be assured that the financial information now being presented was accurate and that the financial team had the capacity to resolve the issues.</p> <p>The Internal Auditors advised that they would incorporate the due diligence issues into their audit plan and follow up audit.</p> <p>The External Auditors advised that they have re-assessed their risk assessment for the year-end audit in light of the due diligence findings.</p> <p>It was agreed that the confidential section of the agenda would be taken first.</p>	
A/18/07/1	Membership and Apologies	Action
	<p>It was noted that Simon Gray (SG) had stepped down from his position as a Governor.</p> <p>Peter Lavender (PL), subject to being appointed as Chair of Standards by the Corporation on 31 7 18, to step down as a member of the Audit Committee.</p>	
A/18/07/2	Declarations of Interest	
	There were no declarations of interest.	
A/18/07/3	To approve the Minutes of the meeting of the Audit meeting held on 6 03 18 and any other matters raised previously not otherwise included in the Agenda	
	The minutes were agreed as a true record.	
A/18/07/4	To review the post-meeting action log	
	<p>The post meeting action log was reviewed and noted where the item was on the agenda.</p> <p>A/18/03/5 – to be considered in the Interim Deputy Chief Executive’s review of the risk register.</p>	

	A/18/03/9 – to be completed as part of the Interim Deputy Chief Executive’s review of the risk register and establishment of an ‘enterprise risk management’ system.	
A/18/07/5	To review the Risk Register A. New Risks B. Full Register – Gross Risk Order	
	<p>The Interim Deputy Chief Executive advised that she was to review the risk register to establish an ‘Enterprise Risk Management’ system. This would include a review of the risk strategy, a compliance regularity manual and the Business Continuity Plan. This would be presented to the next Audit Committee.</p> <p>The Director of Governance advised that each Committee received their relevant section of the risk register to review.</p> <p>Governors challenged the new risks and the ratings that they had been given. The Principal advised that the new risks are the Ofsted grade RI and the issues identified in the due diligence reports. These had been rag rated red due to the significance of the issues. The Ofsted grade and financial reporting also meant that the FE Commissioner would be carrying out a visit in the first term of the new year. This would look at quality and curriculum, leadership, management and governance. The starting point for the visit would be the Ofsted and Due Diligence reports. The risk was that the FE Commissioner could place the College into formal intervention. To mitigate this risk the College needed to demonstrate sufficient progress and assurance against the Ofsted and Due Diligence reports.</p> <p>Governors challenged what risks had increased. The Principal advised that PR006 failure or delay to merger had increased due to the issues with Ofsted and Due Diligence. Action was being taken to mitigate this risk in conjunction with the FE Commissioner and through providing additional information to the sixth form. If the merger proceeds then the risk register will need to be updated to reflect the sixth forms risk register and to take into account reputation, community and the industrial action.</p> <p>Governors challenged why APP1 re apprenticeship recruitment the risk had reduced. The Principal advised that this was due to an increase in recruitment and funding received which meant the team had nearly achieved the original budget target. Apprenticeships had also achieved a good at Ofsted. In the next year there was a need for a more sophisticated forecast system.</p> <p>Governors challenged what action was being taken to ensure that P&W01 re staff morale and wellbeing was being monitored and improved. The Principal advised that the staff survey would take place in September. A specific piece of work would be required with the sixth form staff to address cultural issues and to help ensure they felt part of the College.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Review of Risk Register to be presented to the next Audit Committee. 	UR
A/18/07/6	Annual Accounts Lowestoft Management Letter - management feedback on progress	
	The Interim Deputy Chief Executive presented the report. The last Audit Committee had requested it be referred back with actions that management had taken to address the issues.	

	<p>Governors challenged how they could be assured that the issues raised would not occur during the 17/18 annual accounts. The Interim Deputy Chief Executive advised that she was drawing up an action plan to ensure that all issues identified were resolved in time for the annual accounts. The External Auditors were aware of the issues and were allowing additional audit time.</p> <p>The Principal advised that a retention policy was being produced as part of the GDPR work.</p> <p>Governors challenged how the sixth form year end accounts were to be dealt with. The Principal advised that these would be produced by the Sixth Form's current finance team and then be signed off by the ECC Audit and Corporation.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Action plan and progress to address issues raised by the Management letter to the next Audit Committee. 	UR
A/18/07/7	<p>Internal Audit Reports:</p> <ul style="list-style-type: none"> A. Governance and Risk B. Key Financial Controls – General Ledger and Payroll C. Learner Number Systems D. HR Processes E. Follow Up F. Progress Report 	
	<p>The Internal Auditor presented the audits:</p> <p>A. Governance and Risk</p> <p>The audit was reasonable assurance with 3 medium and 2 low actions relating to risk.</p> <p>It was noted that Governance arrangements are clearly defined and set out in the Governance Structure and the Terms of Reference of the respective committees. Committee records show that they are meeting with an appropriate frequency, and are covering their terms of reference, supported by appropriate supporting documentation.</p> <p>The Committee noted that they had previously raised about inconsistency in the wording of risks and work had been ongoing to improve this at each review.</p> <p>The Interim Deputy Chief Executive advised that her work to update the risk register and policy would address the issues raised in the audit.</p> <p>B. Key Financial Controls – General Ledger and Payroll</p> <p>The audit was reasonable assurance with 3 medium and 4 low actions. Main areas of concerns were that reconciliations had not been carried out in a timely manner, that there had been non-compliance with controls and lack of an audit trail.</p> <p>The Interim Deputy Chief Executive advised that all reconciliations would be carried out by September so that there was a clean set of accounts for the year-end audit.</p> <p>Governors commented that the issues noted had also been detailed in the due diligence report and it was imperative that there was a clean set of accounts for this year's audit and the new financial year.</p>	

C. Learner Number Systems

This was an advisory audit so no assurance opinion given. The audit recommended 5 high, 7 medium and 4 low actions. It is important to ensure that core aspects of the College's Learner Information System and Student Records Systems are adequately controlled to give assurance that no potential funding problems arise and all opportunities to maximise funding have been taken.

Governors noted that the funding audit on Lowestoft 16/17 had identified no issues. It was important that the issues identified in the Internal Audit were addressed to avoid any funding implications with under or over claims.

The Internal Auditor advised that apprenticeships compliance and learner numbers were included in the internal audit plan for 18/19. The Interim Deputy Chief Executive advised that she had requested for a specific auditor to carry the apprenticeship compliance audit out.

Governors challenged how 'ordinary resident' was verified. The Principal advised that this was self-declaration and that further evidence was requested based on this declaration.

D. HR Processes

The audit was partial assurance with 5 medium and 2 low actions with the main concerns being in relation to recruitment strategy and data migration.

The Principal advised that given the poor data available to migrate from the 2 colleges a migration plan was not possible as there were no records to validate the records against. The Head of People and Wellbeing was considering a recruitment strategy to see what should be measured. He advised that from his perspective HR was a lower risk as the new HR system had been implemented and used to report and the appraisal module was due to go live in 18/19.

E. Follow Up

The opinion was that the College had demonstrated little progress in implementing agreed management actions, with over 50% of the management actions followed up still outstanding or not fully implemented at the time of review. Through the follow up new audit action owners have been identified together with implementation dates.

Management had no action tracking in place to ensure that audit recommendations were implemented. The Interim Deputy Chief Executive advised that an action plan was to be set up to ensure that these and future audit recommendations were implemented.

F. Progress Report

In relation to the 2017/18 internal audit plan two negative final reports have been issued, as well as a little progress opinion in the follow up review and an advisory review of learner numbers which identified a number of weaknesses. The sub-contracting audit is still to be carried out. These reports will impact the year end opinion and there may be a need to consider issuing a qualified Head of Internal Audit Opinion.

The Principal suggested that an interim follow up audit be carried out in the first term so that the College could demonstrate progress on the audit recommendations and reduce the risk of a qualified Head of Internal Audit Opinion

	<p>being issued. There was also a need to show significant progress by the FE Commissioners visit.</p> <p>Governors challenged how the findings of the due diligence reports would influence the Head of Internal Audit Opinion. The Internal Auditor advised that they could incorporate that in their report or the Audit Committee could in their annual report.</p> <p>The Director of Governance advised that it would be difficult for the Audit Committee to give a positive opinion to the Corporation based on the management letter, due diligence reports and internal audit reports. Progress on actions would need to be seen early in the new term.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Action tracking log to each Audit Committee to review progress of audit recommendation implementation. • Action tracking log to note if actions were not on target and the reasons for this. 	<p style="text-align: center;">UR</p> <p style="text-align: center;">UR</p>
A/18/07/8	Internal Audit Plan 2018/19	
	<p>The Internal Auditor presented the plan.</p> <p>The Principal advised that the programme needed to be reviewed to ensure that it helped the College move forward, improve systems and take into account the review that the FE Commissioner will be carrying out to avoid duplication.</p> <p>The Committee discussed the plan and it was agreed it would be redrafted to take into account the following:</p> <ul style="list-style-type: none"> • HR Audit – sickness is not the highest risk area and an alternative HR audit should be considered. • Data assurance – needs to be added given the comments in the Ofsted report and in the due diligence reports. Consideration needs to be given to the data monitored, how it can be ensured that it is accurate and the quality of reporting and audited in the autumn term. • HE Recruitment – to cover areas such as are we providing the right courses, do we have the right skills and effectiveness of recruitment activity. • Ofsted – need to ensure that not duplicating the FE Commissioners work and that when reviewed an educationalist carries out the audit. It would also need to be early in the year to allow scope for change and should also include curriculum development. <p>The Internal Auditor advised that they could look at using a former Ofsted Inspector for this audit.</p> <ul style="list-style-type: none"> • Fixed Asset register – needs to be targeted on the issues identified in the due diligence reports. • Cultural audit – given the merger with the sixth form it may be too early to review culture. <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Audit Plan to be reviewed. • Audit scopes to be reviewed. 	<p style="text-align: center;">Internal Auditors</p>

A/18/07/9	External Audit Timetable	
<p>The External Auditor presented the timetable. The interim audit visit will document systems, provide the auditors with an understanding of the systems used and also review the internal audit reports, this will be carried out in August. The main field work will commence in October.</p> <p>Governors challenged if there were errors in prior year figures how they would be accounted for. The External Auditor advised that consideration would have to be given to the issue and its materiality before a decision was taken on how it would be accounted for.</p> <p>Governors challenged whether additional time had been allowed for the audit given the issues identified at the last audit and in the due diligence reports. The External Auditor advised that due to the risks identified additional testing would be carried out on the controls and flexibility had been built into the timeline. The Interim Deputy Chief Executive advised that the aim was to have a clean set of accounts by the external audit in October.</p>		
A/18/07/10	Draft Regularity Audit	
<p>The Director of Governance presented the draft regularity audit. This would be completed together with an evidence file for submission to the External Auditors and was for East Coast College only.</p> <p>Governors challenged if there had been any overseas trips. The Principal advised that staff had accompanied students on educational trips.</p>		
A/18/07/11	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: Due Diligence 2. Risk Management: To be reviewed by Interim Deputy Chief Executive 3. Health and Safety: None 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: Appropriately long given the issues that had to be discussed and the assurance required. 		
A/18/07/12	Date of Next Meeting	
TBC		