

East Coast College Audit Committee Meeting 16 July 2019 at 5.00pm in the Board Room Great Yarmouth

| | | |
|--|--|---------------|
| Present: | Rob Evans (RE) Albert Cadmore (AC) and Giles Kerkham (GK) | |
| In attendance: | Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Dan Harris (RSM Internal Audit) and Sally Davies (Scrutton Bland External Audit.) The meeting commenced with a private session with the Internal and External Auditors at which no issues or concerns were raised. | |
| A/19/07/1 | Membership, Apologies | Action |
| It was noted that the Committee had a vacancy and that the Corporation should be requested to appoint an additional member. | | |
| A/19/07/2 | Declarations of Interest | Action |
| There were no declarations of interest. | | |
| A/19/07/3 | To approve the Minutes of the meeting of the Audit meeting held on 12 3 19 and any other matters raised previously not otherwise included in the Agenda | |
| The minutes of the meeting of 12 3 19 were agreed as a true record. | | |
| A/19/07/4 | To review the post-meeting action log | |
| The post meeting action log was reviewed and noted where the item was complete as on the agenda. A/18/11/8.2 – A proposal has been sent to Sentinel and a response is awaited. MUGA is currently not being used due to the Health and Safety issues. It is hoped to be able to update the F&GP meeting on 23/7/19. A/19/01/7 – Business Continuity Planning held 12/7/19. An internal audit of BCP has not currently been included in the plan for 19/20. | | |
| A/19/07/5 | To review the Strategic and Tactical Risk Register | |
| A/19/07/5.1 | Review of Risk by the Governance Sub-Committees | |
| A/19/07/5.2 | RSM Further Education Risk Register Analysis | |
| The Deputy Chief Executive advised that at a recent RSM session on risk that she had attended with the Director of Governance it was noted that an action plan advising how the mitigation was to be actioned was recommended at best practise. Governors challenged why there were so much red risks on the register. The Deputy Chief Executive advised that the main risks were related to income as income had fallen. Mitigation is being put in place to address this and a Winning Our Market and Growth Committee is to be established to give Governance oversight of this key area. Governors commented that it was not clear from the register whether risks had been managed well. The Deputy Chief Executive advised that it was hoped that the | | |

proposed action plan would address this. At the next review it would also show the movement in the risk during the review period.

Governors challenged if the responses from the Committee's demonstrated that they were managing their Committee's risks appropriately. The Director of Governance advised that some of the Committees had considered their register in detail as was demonstrated by the minutes. The Committee agreed that it was important that they were assured that the risk register was being managed by the Committees.

Governors discussed the RSM Further Education Risk Register Analysis and noted that the top five themes were consistent to the College's risks. It was a helpful document to check and challenge the College's register against.

Governors commented as noted in the RSM report that risk management can never prevent risk materialising, it was important though to help understand possible causes and impacts and to plan the necessary controls and contingencies to mitigate the risks.

Governors noted the HE risks and the risk of collaboration and competing. The Director of Governance advised that a report on the future relationship with the University of Suffolk was on the Corporation's July agenda.

Governors agreed the following actions:

- **On the register strategic aims to be changed to the full name.**
- **RSM Further Education Risk Register Analysis report to be shared with the Corporation**
- **Each Committee be requested, when reviewing their risk register, to answer the following (where a yes the Audit Committee would like justification for this response and where a no details of the action being put in place):**
 1. **Has the risk register been reviewed**
 2. **Is the Committee content that the risks are relevant and are being updated**
 3. **Is the Committee content that the risks are being mitigated**
 4. **Where a red risk is the Committee assured that appropriate action is being taken**
 5. **Where does the Committee have significant concerns.**

WS
WS
WS

A/19/07/6

To review the implementation of the Regularity Manual

The Deputy Chief Executive presented the report and explained the action that had been taken. Managers had been trained and internal controls strengthened.

Governors challenged how it was to be assessed if the Regularity Manual was being used as it was only as good as the people using it. The Deputy Chief Executive advised that the internal audit programme would review the various areas of the manual. This included the proposed audit on key financial controls and payroll.

Governors challenged if there had been resistance to the manual. The Deputy Chief Executive advised that the main changes had been within the finance team and some staff had struggled with the changes in their roles. The new external payroll system would further improve the separation of duties. The main policies included in the manual had already been in place and the manual had updated these.

| | | |
|--|--|--|
| Governors challenged if the whole manual had been implemented. The Deputy Chief Executive advised that the manual would be fully implemented by 1/8/19. | | |
| Governors noted the progress with the implementation of the Regularity Manual and that it would be reviewed through the Internal Audit Plan. | | |
| A/19/07/7 | Internal Audit Reports | |
| A/19/07/7.1 | Progress Report | |
| <p>RSM Internal Audit presented the report which set out the progress with the Audit Plan including any issues that might impact the end of year opinion. The Audit's had mainly been positive with low and medium actions. The only exception to this had been the apprenticeship audit which had been an advisory one and progress was currently being reviewed in the follow up audit which had demonstrated positive progress.</p> <p>The Deputy Chief Executive advised that the Budgetary Audit which was also currently taking place was demonstrating positive progress too.</p> | | |
| A/19/07/7.2 | Internal Audit Plan 19/20 | |
| <p>RSM Internal Audit presented the report which set out the Audit Plan for 19/20 and included the cyclical plan for future years. The plan included the proposed timings and whether the audit was assurance or advisory. The cost of the audits was based on the number of days. The Director of Governance advised that this had been considered by SLG to ensure that the main risks were covered.</p> <p>Governors challenged that it was not clear from the plan what areas would be addressed in the audits. RSAM Internal Audit advised that prior to any Internal Audit the detailed scope was agreed with the College. For some audits such as the mock funding audit this would be based on the funder's requirements.</p> <p>Governors commented that the securing market share audit required a detailed audit per income line given the risk to the College of not achieving the forecast income and the need for future growth.</p> <p>Governors challenged why cyber security was not being considered until 20/21. The Deputy Chief Executive advised that this was planned for after the merging of the networks with L6FC. Currently the risk is being managed by the IT department. Mitigation is in place with the website hosted off site, double firewall for sensitive data, back up held at the 3 sites with a fibre optic link and the payroll will be hosted off site. This is also covered in the Business Continuity Plan.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> • Core assurances to include Business Continuity Plan. <p>The Committee resolved to approve the Internal Audit Plan 19/20.</p> | | |
| A/19/07/7.3 | Finalised Internal Audits - Subcontracting Controls | |
| RSM Internal Audit presented the report which was required to comply with the funding agreements for 2018/19. This stipulates that providers who subcontract a certain level of provision are required to obtain a report from an external auditor on the arrangements in place to manage and control their subcontractors. The clause | | |

| | | |
|--------------------|---|--|
| | <p>requires lead providers to supply the ESFA with a certificate confirming that the provider's arrangements are satisfactory. There were 2 minor findings that required action and the certificate had been issued.</p> <p>Governor challenged if this was a good result. RSM Internal Audit advised that a lot of weaknesses had been found at other clients so the College should take reassurance that the controls are in place.</p> | |
| A/19/07/7.4 | RSM FE Emerging Issues Spring 2019 | |
| A/19/07/7.5 | RSM funding issues briefing | |
| A/19/07/7.6 | RSM have you carried out sufficient due diligence on subcontract partners | |
| | <p>The Committee discussed the 3 papers.</p> <p>Governors challenged if there was adequate Governor insurance in place. The Director of Governance advised that this had been checked and had been updated for the new intervention regime. The insurance was to be retendered in 2020.</p> <p>Governors challenged if staff governors should be members of the audit committee. The Director of Governance advised that JACOP stated that Corporations should consider whether staff-governor being members of an audit committee meets good practice standards of independence and objectivity and practise in the sector was for them not to be members.</p> | |
| A/19/07/8 | External Audit Plan | |
| | <p>Scrutton Bland External Audit presented the external audit plan for the annual accounts. This set out the preliminary plan, scope approach to risk and the key areas that the audit would cover. As this is the second year of auditing ECC previous experience will be used to give a richer assessment and there will be a continuity of the audit team. The accounts for L6FC will be reviewed to ensure that the correct opening balances have been used. The preliminary figures have been shared and the expected year end position discussed. The findings will be discussed with the College before being reported to the Audit Committee and will include the going concern statement and financial health.</p> <p>Governors challenged what the level of materiality was. Scrutton Bland advised that this varied between the different areas of the accounts. Any adjustments identified will be discussed and a decision taken on whether they required adjustment and this will be detailed in the report.</p> <p>Governors challenged what the quality control process was. Scrutton Bland advised that the findings would be reviewed by a second partner.</p> <p>Governors challenged how the income would be reviewed. Scrutton Bland advised that this would be reconciled to the funding reports and learner numbers and assessed to see if there was any risk of clawback.</p> <p>Governors challenged the process for reporting to the Corporation Committees. The Director of Governance advised that the Audit Committee reviewed systems, controls and the narrative and the Finance and General Purposes Committee the numbers.</p> | |

| | | |
|---|---|--|
| The numbers were also reported to the Audit Committee so that they could ascertain if these identified any weaknesses. | | |
| The Committee resolved to note the External Audit Plan. | | |
| A/19/07/9 | Regularity Audit Draft Self-Assessment Questionnaire | |
| The Director of Governance presented the draft questionnaire. This will be audited as part of the annual accounts and requires signing by the Chair and the Chief Accounting Officer. | | |
| The Committee resolved to note the draft self-assessment. | | |
| A/19/07/10 | Agenda Planning | |
| It was noted that the December meeting would concentrate on the annual accounts and annual report. | | |
| A/19/03/12 | Review of Meeting | |
| <ol style="list-style-type: none"> 1. Confidential Items: contents of audit reports 2. Risk Management: as per the agenda item 3. Health and Safety: None 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: Good detailed and open discussions. | | |
| A/19/07/13 | Date of Next Meeting | |
| Dec 10 th 2019 | | |
| April 28 th 2020 | | |
| July 14 th 2020 | | |