

East Coast College Audit Committee Meeting 10 December 2019 at 5.00pm in the Board Room Great Yarmouth

Present:	Giles Kerkham (GK) Albert Cadmore (AC) and Roger Cracknell (RC)	
In attendance:	<p>Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Rob Newell (Head of Finance) Nick Fanning (RSM Internal Audit) and Sharon Gravener (ScruttonBland External Audit.)</p> <p>A training session on the role of the Audit Committee was held with RSM prior to the meeting.</p> <p>The meeting commenced with a private session with the Internal and External Auditors</p>	
A/19/12/1	Membership, Apologies	Action
	Apologies Rob Evans (RE)	
A/19/12/2	Declarations of Interest	Action
	Giles Kerkham (GK) as his employer are involved in the liquidation of the Great Yarmouth Community Trust. He has no involvement in that engagement and the Committee agreed that the declaration did not preclude him in full participation in the meeting.	
A/19/12/3	To approve the Minutes of the meeting of the Audit meeting held on 16 7 19 and any other matters raised previously not otherwise included in the Agenda	
	The minutes of the meeting of 16 7 19 were agreed as a true record.	
A/19/12/4	To review the post-meeting action log	
	The post meeting action log was reviewed and it was noted that all actions were complete. Internal Audit Core assurances were to include Business Continuity.	

A/19/12/5	To review the Strategic Risk Register	
A/19/12/5.1	Tactical Finance and General Purposes	
A/19/12/5.2	Tactical Standards	
A/19/12/5.3	Tactical People	
A/19/12/5.4	Tactical Winning our Market	
A/19/12/5.5	Tactical Governance Remuneration and Search	
<p>The risk registers were reviewed by the Committee. The Director of Governance advised that the Tactical risk register had been split by committee and also included the extract from the Committee minutes where they had reviewed the register against the questions set by the Audit Committee. The F&GP at its last meeting had also considered performance against the risk appetite statements.</p> <p>Governors challenged how the risk appetite statements had been set. The Director of Governance advised that they were based on the strategic plan.</p> <p>Governors discussed that the Corporation needed to also be aware of the highest tactical risks as this was not clear from the Strategic Risk Register.</p> <p>Governors challenged how useful the risk action plans were and concluded that they needed to give more assurance that the appropriate mitigation was taking place.</p> <p>Governors challenged why the capital risk on the strategic register was above the risk appetite. The Deputy Chief Executive advised that the risk had reduced since the last review as the cladding contract had been awarded and was due shortly to start on site. This risk would therefore reduce at the next review.</p> <p>The Committee concluded that they were assured that the appropriate risk registers were in place and were being reviewed by the relevant committees. Management of risk was a much more robust process than had previously been in place.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> Corporation to receive the tactical risk register for those risks 4 and above risk appetite. Risk register action plans to be reviewed to ensure that it was clear what assurance they were giving that action to mitigate risks was taking place. 		<p>WS</p> <p>UR</p>
A/19/12/6	Action Log Internal Audit Recommendations	
<p>The Deputy Chief Executive presented the action log that set out how the College had addressed the Internal Audit recommendations. The ones that aren't complete would be brought forward to the 19/20 log.</p> <p>RSM commented that the action log would be reviewed as part of the follow up audit in February 2020.</p> <p>Governors commented that they were assured by the progress and that a completion column should be added so that it was clear what actions had been fully completed and that the log should be reviewed at each meeting.</p>		

Governors agreed the following actions:		UR UR
<ul style="list-style-type: none"> • Completion column to be added to the action log. • Action log to be reviewed at each audit committee. 		
A/19/12/7	Internal Audit Reports	
A/19/12/7.1	Follow Up Internal Audit Report 6.18/19 24 September 19	
<p>RSM presented the follow up audit which concluded that East Coast College has demonstrated good progress in implementing agreed management actions. Any actions not completed would be picked up for review at the next follow up audit.</p> <p>Governors commented that it gave assurance that the required actions had been taken and was an improvement on the previous year.</p>		
A/19/12/7.2	Budget Setting and Control Internal audit report: 7.18/19 15 November 2019	
<p>RSM Internal Audit presented the report which was substantial assurance with 4 low actions.</p> <p>Governors commented that this was a very positive audit.</p>		
A/19/12/7.3	Post May 2017 Apprenticeships Mock Funding Review	
<p>RSM Internal Audit presented the audit which was a Mock Funding Review of Post May 17 Apprenticeships, covering both Levy and Non Levy. This had been requested by the audit committee following the previous audit's conclusions and will be followed up in February 20.</p> <p>Governors commented that this was a high risk area and challenged if sufficient progress had been demonstrated. RSM commented that progress had been made but there was still work required.</p> <p>The Deputy Chief Executive advised that it was a complicated area with constantly changing guidance. The College had recognised that there was an issue and the first audit acted as a training session for the team as well as identifying action required. This was then followed up with the mock funding audit and will be followed up again in February 2020. These audits were being carried out by a specialist so as to ensure that the College was best placed for an actual funding audit.</p> <p>Governors challenged what had been the reasons for the problems identified. The Deputy Chief Executive advised that there had been a knowledge gap and as the Government constantly changes the rules we need to allow for constant development and training of the team.</p>		
A/19/12/7.4	Progress Report	
<p>RSM presented the progress report which demonstrated that delivery of the Audit Plan was on target. Sector reports on Trust in the boardroom - a move towards sustainable governance and Catch 22 - Digital Transformation and its Impact on Cyber Security had been included for information.</p>		

A/19/12/7.5	Annual Internal Audit Report and Opinion - Year ended 31 July 2019	
<p>RSM presented the annual report which was a positive opinion – <i>The organisation has an adequate and effective framework for risk management, governance and internal control. However our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</i></p> <p>Governors commented that this was positive position given the previous issues and challenged how many full assurance annual opinion RSM had given. RSM advised that full assurance had been given at other colleges and agreed to share benchmarking data.</p> <p>Governors agreed the following actions:</p> <ul style="list-style-type: none"> • RSM to provide benchmarking Internal Audit Annual Report Data. 		RSM
A/19/12/8	External Audit Annual Accounts and Management Letter	
<p>ScruttonBland, the External Auditors presented the management letter. She advised that the numbers were still being finalised and adjustments required agreement. The schedule of adjustments and unadjusted ones was included in the letter of representation and would be update for Corporation.</p> <p>The Director of Governance advised that the ECETA Board had agreed their accounts at their Board meeting on 4/12/19. The management letter covered recommendations for accounting for both ECETA and ECC.</p> <p>The Deputy Chief Executive advised that adjustments would be required due to the liquidation of the Great Yarmouth Community Trust. There was a rental debt owed and the lease income would not now be received.</p> <p>The Committee reviewed the management letter in detail and considered each recommendation:</p> <ul style="list-style-type: none"> • The costs in respect of the new Energy Centre have been capitalised on a gross basis including VAT – the Deputy Chief Executive advised that this prudent position had been agreed by Governors and was due to the ongoing work on VAT. If the claim was successful the values would be reviewed. As part of this work the VAT consultants were also considering the historic vat differences. • Control accounts – The Deputy Chief Executive assured the Committee that the main issues had been year-end control accounts not being complete in time for the audit commencement but that these had all been complete by the end of the audit. The Head of Finance advised that there was a skills shortage when the previous Head of Finance resigned and the team will be trained to the skills level needed. • Separation of ECETA and ECC accounts – The Deputy Chief Executive advised that the accounting system, which was entity based, was being 		

updated to separate out the accounts and this should be live as of January. This separation of the accounts was also required for the VAT group.

- Doubtful debts – The Deputy Chief Executive advised that the increase had been due to an improved system of recording and chasing debts. The risk of unpaid debts was low and regular aged debtors work was now in place.
- Deed of covenant – The Director of Governance advised that the revised deed had been drawn up as part of the revised governance arrangements for ECETA. This had been approved by the ECETA Bard and was on the Corporation agenda on 17/12/19 for approval.
- Learner Support Fund – The Deputy Chief Executive advised that this was how the bank and the TU required it to be accounted.
- Suspense account – The Deputy Chief Executive advised that this was being maintained due to outstanding pre-merger accounts still being received, this had been agreed with the Chair of F&GP.
- Declaration of interest – The Director of Governance advised that this related to one governor who has now completed the declaration.
- Bribery Act Training – The Deputy Chief Executive advised that this would be included in future training.
- Accuracy of Accounts – The Deputy Chief Executive advised that there had been issues as the commencement of the audit due to the immediate resignation of the Head of Finance. With the appointment of the new Head of Finance all year end control accounts were completed and new processes were being put in place. Control accounts during the year had been completed.
- Authorising of overseas trips – The Deputy Chief Executive advised that the paperwork was to be revised to include the estimated cost to the College of the trip.

Governors challenged if there had been any issues of fraud identified during the year. The Head of Finance advised that there had been an issue with the credit card and it had been cancelled whilst an investigation took place. This was not a material risk to the College as the amounts were low and the credit card was cancelled as soon as the issue was identified.

Governors challenged if the accounts were materially different to that predicted during the year. The Deputy Chief Executive advised that the outturn in the annual accounts was close to the predicted outturn.

Governors agreed the following action:

- **Management letter to be reviewed with the recommendations and management responses refined for Corporation.**
- **Head of Finance to provide an update on financial processes, the finance team's development and any risks to the next audit committee.**

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<ul style="list-style-type: none"> • Fraud and near miss register introduction to be reviewed and reported to the Audit Committee at each meeting. 		UR
A/19/12/9	Audit Committee's Annual Report	
<p>The Director of Governance presented the Audit Committee's annual report which concluded that the Audit Committees opinion is that the adequacy and effectiveness of the assurance frameworks during 18/19 were effective. This opinion was based on the audit committee's work during the year and the reports received.</p> <p>Governors commended the Director of Governance for a comprehensive report.</p> <p>The Committee agreed to recommend the Audit Committee's Annual Report to the Corporation.</p>		
A/19/12/10	Annual Report GDPR, Whistle Blowing and Freedom of Information	
<p>The Director of Governance presented the annual report on GDPR, Whistle Blowing and Freedom of Information. She advised that an Internal Audit of GDPR was to be carried out in the Spring and RSM confirmed that this would be carried out by a specialist.</p> <p>Governors commended the Projects Manager for his comprehensive schedule of GDPR breaches including action taken to improve processes.</p> <p>Governors commented that they were surprised at the small number of freedom of information requests received.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Reminder to be sent to the Senior Team that all FOI requests should be directed to the Director of Governance for responding. 		WS
A/19/12/11	Cyber Security	
<p>The Deputy Chief Executive presented the update on cyber security which had been requested at the last Audit Committee. She advised that training through an email briefing and test spam emails had been sent out to all staff. Vulnerable data sets were held behind the fire wall.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Head of IT to present to the Committee on the business continuity planning for IT. 		UR
A/19/12/9	Agenda Planning	
<p>Head of Finance to present on financial controls</p> <p>Head of IT to present on business continuity for IT</p>		
A/19/12/10	Review of Meeting	
<p>1. Confidential Items: contents of audit reports and annual accounts until published</p>		

	<ul style="list-style-type: none"> 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 discussions with efficient chairing 	
	Date of Next Meeting	
<p>April 28th 2020</p> <p>July 14th 2020</p>		