

## East Coast College Audit Committee Meeting 1<sup>st</sup> December 2020 Video Conference

<b>Present:</b>	Giles Kerkham (GK) Albert Cadmore (AC) Roger Cracknell (RC) and Christina Sadler (CS)	
<b>In attendance:</b>	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Rob Newell (Head of Finance) Dan Harris (RSM Internal Audit) and Sharon Gravener (ScruttonBland External Audit.)	
<b>Private Session with the Internal and External Auditors</b>		<b>Action</b>
<p>A private session was held with the Internal and External Auditors. No issues of concern were raised. The Internal Auditors are working to the revised plan and the External Auditors are at the planning stage.</p> <p>The Committee discussed with RSM the delays in the audit plan, they were assured that the plan would be completed in time for the annual report and opinion. The External Auditors confirmed that the delay in the follow up audit would not impinge on the year end audit.</p> <p>The Committee discussed the need for funding audits following Audit Code changes. The External Auditors advised that it wasn't mandatory but would be seen as good practice for assurance as it was a high risk area. The Director of Governance advised that RSM had been commissioned to carry out a funding audit, which would build on their previous work in this area.</p>		
<b>A/21/04/1</b>	<b>Membership and Apologies</b>	
<p>The Deputy Chief Executive and Head of Finance joined the meeting.</p> <p>There were no apologies as all in attendance.</p>		
<b>A/21/04/2</b>	<b>Declarations of Interest</b>	
<p>There were no declarations of interest</p>		
<b>A/21/04/3</b>	<b>To approve the Minutes of the meeting of the Audit meeting held on 1 12 20 and any other matters raised previously not otherwise included in the Agenda</b>	
<p>The minutes of the meeting of 1 12 20 were agreed as a true record.</p>		
<b>A/21/04/4</b>	<b>To review the post-meeting action log</b>	
<p>The post meeting action log was reviewed and it was noted where complete, on the agenda or the action was not yet due.</p> <p>There were no additional queries raised.</p>		
<b>A/21/04/5</b>	<b>To Review the Risk Register</b>	

A/21/04/5.1	<b>Strategic Risk Register</b>	
A/21/04/5.2	<b>Covid Risk Register</b>	
A/21/04/5.3	<b>Tactical Risk Registers</b>	
<p>The risk registers were reviewed, it was noted that some of the registers had not been reviewed since January as the relevant committee had not met.</p> <p>The scoring on the Strategic Register was discussed. The Director of Governance advised that the score was the average of the related tactical risks. The Committee discussed whether it would be more appropriate to use a weighted score to give more weight to the higher risks.</p> <p>The Deputy Chief Executive advised that since the Finance risk register had been reviewed finances were now more secure with an improvement in EBITDA, this could be seen in the management accounts and related dashboard. June's F&amp;GP would receive a further detailed financial analysis.</p> <p>The Director of Governance advised that the management accounts were shared with all Governors in the resources section of the Governance portal and the dashboard on Teams.</p> <p>The Director of Governance advised how the red risks were being mitigated by the committees; with finance receiving additional assurance through the financial reviews and close financial management, student achievement assurance covered in the quality update and apprenticeship issues assurance now a standing item on the Standards Committee.</p> <p><b>Governors agreed the following actions:</b></p> <ul style="list-style-type: none"> <li>• <b>Strategic Risk Register scoring to be reviewed to see if a weighted scoring would be beneficial to the management of risk and if cost effective to do so.</b></li> </ul>		<b>UR</b>
A/21/04/6	<b>Internal Audit Reports</b>	
A/21/04/6.1	<b>Payroll Audit</b>	
<p>The Internal Auditors presented the report which was substantial assurance with 1 medium and 1 low action. The controls were well designed and complied with.</p> <p>The medium action was in relation to authorisation of new posts and it had been established during the review that the College was already instigating new workflow processes to ensure improved functionality.</p> <p>The low action was in relation to overpayments process and collection. It was rated as low due to the sums involved. The Committee agreed that there was a need for an overpayment procedure and payment plans to be in place.</p> <p>The Deputy Chief Executive advised that the overpayments related to errors prior to the new payroll system which was introduced in May 20 and no overpayments had been identified since then. Previous issues had been mainly related to TUPE and system merger issues. Overpayments could still occur due to human error but there were systems in place to pick this up.</p>		

Governors challenged if underpayments also occurred. The Deputy Chief Executive advised that the payroll system was based on the information from the HR system, underpayments could occur through input errors. There was compensating controls to identify errors such as exception reports that highlighted issues that required investigating, budgetary control reports and payslips.		
<b>A/21/04/6.1</b>	<b>Progress Report</b>	
<p>The Internal Auditor presented the progress report. 2 audits were in progress and 1 was due to start in June with all 3 to report to the July Audit Committee. He advised that the key financial systems audit was to consider income, debtors and cash management as these areas had not been subject to recent review. The Committee agreed that these areas were appropriate.</p> <p>The Internal Auditor confirmed that the follow up audit was to be carried out in September and would be presented to December's Audit Committee along with the annual report. This would not be affected by the tender outcome.</p> <p>The Internal Auditor advised that having taken into account customer feedback the use of the term 'no assurance' as one of the audit opinions was to be replaced, as of April 21 with 'minimal assurance.' This acknowledged that there is always some degree of control in place.</p>		
<b>A/21/04/7</b>	<b>Internal Audit Recommendations Action Log</b>	
<p>The Deputy Chief Executive presented the updated action log. This now had, as requested by the Audit Committee, a completion column. The aim was to have all actions completed by the follow up audit. The RAG rating was green complete, amber in progress and red not complete by the deadline set.</p> <p>Governors raised concern that the 2 GDPR actions were not complete and had been rated as red as no action had commenced. This could make the College non-compliant in this important area and the Committee would need to raise this reputational and compliance risk with Corporation.</p> <p>The Deputy Chief Executive advised that these had been delayed due to covid as there was a requirement to be on site for completion of the actions as the archive records needed to be sorted and destroyed where appropriate and meetings held with managers to be able to complete and verify the information audit templates. These actions would be completed by the revised date set in the action plan.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li><b>To raise, with Corporation, the reputational and compliance risk of non-completion of the GDPR Audit recommendations in relation to the information audit templates and the data archiving.</b></li> </ul>		<b>Chair</b>
<b>A/21/04/8</b>	<b>Post-16 Audit Code of Practice 2020 to 2021 &amp; Accounts Direction</b>	
<p>The Director of Governance presented the report on the changes in the Post-16 Audit Code of Practice 2020 to 2021 and Accounts Direction, the covering sheet highlighted the changes. The actions set out to ensure compliance included:</p> <ul style="list-style-type: none"> <li>Regularity Manual to be updated re the requirement to tender for External Audit Services every 5 years.</li> <li>Audit Terms of references to be reviewed along with training and development</li> </ul>		

	<ul style="list-style-type: none"> <li>• Funding Audit to be carried out for assurance over funds earned</li> <li>• Arrangements for the external auditors to present to Corporation</li> </ul> <p>The changes were discussed and it was agreed that a virtual presentation would be the most cost effective method of the External Auditors presenting to the Board.</p> <p>The Board Assurance Framework was discussed and the Director of Governance advised that this was due for review, with the revised version to be presented to July's Audit Committee. Copies of all College policies could be accessed by Governors through the College Intranet.</p> <p><b>The Committee resolved to:</b></p> <ul style="list-style-type: none"> <li>• <b>note the revised Post-16 Audit Code of Practice 2020 to 2021 and the College accounts direction 2020 to 2021 and the actions set out.</b></li> </ul>	
<b>A/21/04/9</b>	<b>Value for Money - including contracts register</b>	
	<p>The Deputy Chief Executive presented the report which provided assurance on how the College had achieved VFM through income optimisation, cost control and contract tenders. The income optimisation and cost control were closely monitored by the Finance and General Purposes Committee and these had ensured that even with a reduction in turnover the budgeted EBITDA had been exceeded and bank covenants met. Annually VFM was achieved through the curriculum planning process that optimised staff utilisation, class size and contribution.</p> <p>Governors discussed that assurance over VFM should include benchmarking data and considered what data was available, including that provided by the ESFA. The Auditors advised that they didn't hold benchmarking data and that other Colleges demonstrated VFM through tendering and transactional processes. It was agreed that benchmarking needed to compare like colleges for it to have value.</p> <p>The Director of Governance advised that the ESFA Finance Dashboard which included benchmarking data had been reviewed by Finance and General Purposes Committee as well as Corporation.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>ESFA Finance Dashboard to be considered at the next Audit Committee</b></li> </ul> <p>AC left the meeting</p>	<b>UR</b>
<b>A/21/04/10</b>	<b>Counter Fraud Strategy including Report on the College's responses to ESFA 'Post-16 Audit Code of Practice Anti-fraud checklist for post-16 providers</b>	
<b>A/21/04/11</b>	<b>Anti-Fraud Policy</b>	

A/21/04/12	<b>Anti-Bribery Policy</b>	
A/21/04/13	<b>Whistleblowing Policy</b>	
<p>The Chair advised that the policies at agenda items 10-13 would be taken together as they were interlinked. He thanked the Director of Governance and Projects Manager for their work in bringing together the tremendously impressive policies and for the excellent anti-fraud training provided by RSM.</p> <p>The Director of Governance highlighted appendix 2 in the Counter Fraud Strategy that went through the College's response to the Post 16 Audit Code Anti-Fraud Checklist. The actions set out in it were:</p> <ul style="list-style-type: none"> <li>• Article in Staff newsletter on Anti-Fraud, Anti-Bribery and Whistleblowing</li> <li>• Induction to include Anti-Fraud, Anti-Bribery and Whistleblowing</li> <li>• Staff PL to include Anti-Fraud, Anti-Bribery and Whistleblowing</li> <li>• Annual Fraud and Bribery Report to be reviewed by the Audit Committee</li> <li>• Fraud and Bribery investigations reported to the Audit Committee to include lessons learnt</li> <li>• Risk Assessment to review the major risks faced by the College</li> <li>• Risk Policy and risk register to be reviewed for fraud and bribery</li> </ul> <p>Governors commented that this review of the questionnaire, the Counter Fraud Strategy and related policies gave them the assurance that they had requested at the last audit meeting.</p> <p><b>The Committee resolved to approve and recommend adoption to Corporation of the:</b></p> <ul style="list-style-type: none"> <li>• <b>Counter Fraud Strategy</b></li> <li>• <b>Anti-Fraud Policy and Response Plan</b></li> <li>• <b>Anti-Bribery Policy and Response Plan</b></li> </ul> <p><b>and the revised</b></p> <ul style="list-style-type: none"> <li>• <b>Whistleblowing policy</b></li> </ul>		
A/21/04/14	<b>Regularity Manual Review Schedule</b>	
<p>The Deputy Chief Executive presented the Regularity Manual Review Schedule. This set out the policies included in the manual and review date.</p> <p>The Director of Governance advised that the Corporation's policy was that where there were no substantial changes to a policy this was reported to the relevant committee only.</p> <p>Governors discussed the process for policy approval and considered it a risk that Committees were not seeing policies where there was no substantial changes. The Auditors advised that some other Colleges followed the same approach.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>To raise the risk of the Corporation's policy that where there were no substantial changes to a policy this was reported to the relevant committee only without the committee having sight of the policy; and</b></li> </ul>		<b>Chair</b>

	<ul style="list-style-type: none"> <li>• <b>Recommend to the Corporation that this was changed to allow for review even where there were no substantial changes at least every 3 to 5 years.</b></li> </ul> <p>The Internal and External Auditors left the meeting.</p>	<b>Chair</b>
<b>A/21/04/16</b>	<b>Confidential – Internal Audit Tender</b>	
<b>A/21/04/17</b>	<b>Agenda Planning</b>	
	<p>Internal Audit Tender</p> <p>ESFA Finance Dashboard</p> <p>Review of Board Assurance Framework</p> <p>Audit Plan to December meeting for January 22 start</p>	
<b>A/21/04/18</b>	<b>Review of Meeting</b>	
	<ol style="list-style-type: none"> <li>1. Confidential Items: Internal Audit Tender</li> <li>2. Risk Management: As noted in agenda item</li> <li>3. Health and Safety: Covid covered in the risk register</li> <li>4. Equality and Diversity: None</li> <li>5. Media: None</li> <li>6. How did the meeting go: A long and detailed one with a lot of business covered.</li> </ol>	
	<b>Date of Next Meeting</b>	
13 7 21		