

# East Coast College

## Audit Committee Meeting 9am 7 December 2021 Video Conference

<b>Present:</b>	Giles Kerkham (GK) Andrew Walmsley (AW) Roland Kaye (RK) David Shaw (DS)	
<b>In attendance:</b>	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Robert Newell (Head of Finance) (RSM Internal Audit) Sharon Gravener and Adam Smith (ScruttonBland External Audit.)	
	<b>Confidential Private Session with the Internal and External Auditors</b>	<b>Action</b>
	<p>A private session was held with the Internal and External Auditors.</p> <p>[REDACTED]</p>	
<b>A/21/12/1</b>	<b>Membership and Apologies</b>	
	<p>The Committee welcomed David Shaw and Roland Kaye Associate Governors, and Suzanne Rowlett Director RSM to their first meeting of the Audit Committee</p> <p>The Committee noted thanks to Sharon Gravener of Scrutton Bland and wished her a happy retirement.</p> <p>Apologies were received from and Christina Sadler (CS).</p>	
<b>A/21/12/2</b>	<b>Declarations of Interest</b>	
	There were no declarations of interest	
<b>A/21/12/3</b>	<b>To approve the Minutes of the meeting of the Audit meeting held on 13 7 21 and any other matters raised previously not otherwise included in the Agenda</b>	
	The minutes of the meeting of 13 7 21 were agreed as a true record.	



<b>A/21/12/6</b>	<b>Internal Audit Reports</b>	
<b>A/21/12/6.1</b>	<b>Key Financial Controls - Income and Debtors, and Cash Management</b>	
<p>RSM presented the Audit which was reasonable assurance with for Income and Debtors 2 low and 3 medium actions and for cash management 0 actions. All actions were agreed.</p> <p>The Head of Finance advised that work was ongoing to ensure that internal processes were documented and system changes made to ensure authorisations recorded.</p> <p>Governors discussed the bad debt process and the Head of Finance advised that additional processes had been put in place to avoid bad debts, including additional checks on new customers and a monthly aged debt review.</p>		
<b>A/21/12/6.2</b>	<b>Progress Update</b>	
<p>RSM presented the progress update which included sector updates.</p> <p>Governors queried whether the management accounts were based on income earned. The Head of Finance confirmed that the consolidated management accounts followed accounting practice and were on an accrual basis.</p>		
<b>A/21/12/6.3</b>	<b>Follow Up Audit</b>	
<p>RSM presented the follow up audit which demonstrated good progress in implementing agreed management actions with no actions outstanding.</p>		
<b>A/21/12/6.4</b>	<b>Annual Internal Audit Report and Opinion - Year ended 31 July 2021</b>	
<p>RSM presented the Annual Report which concluded:</p> <p><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. This was the same opinion as the previous year.</i></p> <p>RSM advised that the report recommended that the issues identified within the Funding Assurance Work should be noted in the College's Annual Governance Statement along with any key actions agreed and work undertaken to address these issues. The Director of Governance advised that a note had been added in the Accounts Governance Statement and this was noted in the Committee's Annual Report to the Corporation.</p>		
<b>A/21/12/6.5</b>	<b>Draft Annual Internal Audit Plan</b>	
<p>RSM presented the draft annual plan which included the audits for 21/22 and a strategy for future years. The plan required one additional report for 21/22 and it was proposed to keep this audit in reserve and allocate it later in the year. The plan also</p>		

included at appendix D the internal audit charter. This charter establishes the purpose, authority and responsibilities for the internal audit service for East Coast College and is a requirement of the International Standards for the Professional Practice of Internal Auditing and approval of the charter is the responsibility of the audit committee.

The Committee noted that the plan included 35 days and that the funding assurance work was separate to the Audit Plan.

The Committee suggested that the issues identified in the External Audit's Management Letter be further tested in the Internal Audit on key financial controls.

**The Committee resolved to:**

- **recommend the Annual Internal Audit Plan to Corporation for approval.**

**A/21/12/7**

**External Audit Annual Accounts and Management Letter**

**A/21/12/7.1**

**Management Letter**

**A/21/12/7.2**

**Letter of Representation and Adjustments**

**A/21/12/7.3**

**College Accounts 20/21 - subject to final edit**

Scrutton Bland presented the Accounts, Letter of Representation and Management Letter. The Accounts needed a further edit prior to presentation to the Corporation and the Management Letter would be updated following the Committee's review.

The Director of Governance advised that the Finance and General Purposes Committee had reviewed the draft Accounts numbers and had raised no issues.

The Committee reviewed the Management Letter in detail and discussed the findings and action to be taken:

- Section 3 Funding Assurance – The conclusion by Scrutton Bland was that no material provision for clawback was required in relation to the apprenticeship delivery programme.
- Section 3.5 Fixed Assets Register – The Committee were advised that there was an unreconciled difference of £93,000 following the work to move from the fixed assets register being held on excel to the Sun financial system. Scrutton Bland advised that this was below the materiality assessment. The Head of Finance advised that work was ongoing to improve the register and the reporting of it from the Sun system. This would include checking that the assets were where noted on the register and in the condition expected. This was due to be completed by end of March.
- Section 5 VAT Reclaim - The VAT treatment was discussed and it was noted that the treatment in the accounts and notes had been agreed by the Finance and General Purposes Committee. The Audit Committee agreed that the treatment was the correct one due to the uncertainty of the timing and amount of receipt.
- Audit Findings 1. Journals - Scrutton Bland advised that there was no process in place for authorising journals. The testing identified no errors but the controls needed tightening. The Head of Finance advised that an authorisation process was to put in place immediately.

- Audit Findings 2. Purchase orders - Scrutton Bland advised that testing on purchases identified that utilities and exam costs are not subject to purchase orders. The Head of Finance advised that there was an authorisation process in place and the Procurement Policy and Procedure will be updated to reflect the correct process.
- Audit Findings 3. Changes of payee account numbers – Independent verification was required of a change in account numbers and the Head of Finance advised that a revised process and authorisation was to be put in place immediately.
- Audit Findings 4. Leavers – Scrutton Bland identified an isolated case of a leaver being paid during testing. This overpayment has subsequently been repaid. The Head of Finance advised that the HR system is being upgraded to iTrent (the current payroll system) and this matter will be resolved within the revised procedures regarding leavers.
- Audit Findings 5. Payroll reconciliations – The Committee noted that the required reconciliations had not taken place. They were assured by the Head of Finance that this control would be put in place and the issues with the skillset in the finance team addressed.
- Audit Findings 6. Sales credit notes - The Head of Finance advised that the system settings are to be updated, so it records both who requested and who approved the credit notes.
- Audit Findings 7. Declarations of interest – one Associate Governor had not completed the declaration until requested to do so as part of the Audit findings.
- Audit Findings 8. Fixed asset records – Scrutton Bland recommended that all assets which can be separately identified and disposed of on an individual basis should be recorded separately together with their location. The Head of Finance advised that a full asset review was to commence in December.
- Audit Finding 9. Teachers Pension audit – Scrutton Bland advised that they had received 6 versions of the return. This was a return that should be straightforward as it was a summary of payments made and should be produced by the payroll system. The Head of Finance advised that the supplier had under performed and this had been raised with them.
- Audit Finding 10. Depreciation rates – There was an adjustment required due to a different depreciation rate in The Regularity, Propriety and Compliance Manual to the one decided it was appropriate to use. The Head of Finance advised that the manual would be updated to state that all assets should be capitalised by the actual useful economic life.
- Audit Finding 11. Period end cut-off – Adjustments were required due to the periods not being closed of properly and a number of accruals being posted twice. The Head of Finance advised that a process would be put in immediately to ensure that the period cut offs were correct and he will ensure an appropriate skill set for key monthly tasks. This would be documented in a month end process that would be completed by end of March.
- Audit Finding 12. Subsidiary sales booking system – Scrutton Bland advised that during transaction testing for East Coast Energy Training Limited two instances of courses were identified as being recorded in the wrong financial year. The Head of Finance advised that a review was to take place,
- Audit Finding 13. Further Education Estates project – Scrutton Bland advised that work carried out in improving the estate in the year was not recorded in

	<p>sufficient detail and an estimation of depreciation for the accounts had to be made. The Head of Finance advised that he was to carry out a detailed review of the improvements made, and their completion dates so that the records could be updated.</p> <ul style="list-style-type: none"> <li>Audit Finding 14. Further Education Estates project – Scrutton Bland recommended that capital grant records are reconciled to the fixed asset register on a monthly basis as part of the management accounts preparation process. The Head of Finance confirmed that monthly reconciliations are to take place.</li> </ul> <p>Scrutton Bland advised that an additional item was to be added to the management letter in relation to the Deputy Chief Executive’s expenses. These had been agreed as part of the appointment package and had not been taxed. The advice from HMRC was that they were taxable and this would therefore require resolution.</p> <p>Governors challenged that given the number of audit findings whether there was an issue within the finance team. The Head of Finance advised that the issues related to the skills set within the team, changes in the system and human error. Controls had already been tightened and additional work was ongoing to improve the controls and the team’s skillset.</p> <p>The Committee reviewed the Letter of Representation and were assured by the Deputy Chief Executive that there were no concerns with the adjustments made.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li><b>Time scale for implementation of agreed actions to be added to the Management Letter.</b></li> <li><b>Update report on implementation of the Management Letter actions to the next Audit Committee</b></li> </ul> <p>AW left the meeting.</p>	<p>UR</p> <p>UR</p>
<p><b>A/21/12/7.4</b></p>	<p><b>ECETA Annual Accounts - to be agreed by ECETA Board at its meeting of 8 12 21</b></p>	
	<p>The Committee noted the ECETA Annual Accounts, and that these were reflected in the group accounts.</p>	
<p><b>A/21/12/8</b></p>	<p><b>To review the Risk Register</b></p>	
<p><b>A/21/12/8.1</b></p>	<p><b>Strategic Risk Register</b></p>	
<p><b>A/21/12/8.2</b></p>	<p><b>Tactical Risk Register People</b></p>	
<p><b>A/21/12/8.3</b></p>	<p><b>Tactical Risk Register Standards</b></p>	
<p><b>A/21/12/8.4</b></p>	<p><b>Tactical Risk Register Governance Remuneration and Search</b></p>	
<p><b>A/21/12/8.5</b></p>	<p><b>Tactical Risk Register Curriculum Development</b></p>	
<p><b>A/21/12/8.6</b></p>	<p><b>Tactical Risk Register Finance and General Purposes</b></p>	
	<p>The Committee reviewed the risk registers and noted that there was consistent movement upwards in the risks. The Deputy Chief Executive advised that risks had increased due to issues such as student under recruitment, staff recruitment issues, concerns relating to quality and finance in apprenticeships, covid and issues</p>	

	<p>highlighted in the SAR. Maritime risk would require another review due to Covid and the risks to the provision increasing.</p> <p>The Director of Governance advised that each tactical register was reviewed by a Committee and updated by a member of the Senior Team. The Strategic Registers noted which tactical risks were included within it and the tactical registers included the mitigation taken. Risk was also reviewed at the end of each committee meeting and identified in committee reports.</p>	
<b>A/21/12/9</b>	<b>Data Protection Annual Report</b>	
	The Committee noted the data protection annual report.	
<b>A/21/12/10</b>	<b>Annual Report Whistle Blowing and Freedom of Information</b>	
	The Committee noted the annual Whistle Blowing and Freedom of Information report. There had been no whistle blowing cases in the year and the majority of freedom of information requests were from companies, TES or UCU.	
<b>A/21/12/11</b>	<b>Fraud Register</b>	
	<p>Governor discussed the fraud register and challenged if all near misses were being recorded given that it was a nil return. The Deputy Chief Executive advised that there were no near misses or frauds to report.</p> <p>Governors discussed cyber security and the Deputy Chief Executive advised that the College was subject to daily cyber attacks but as they did not get through the College's security measures they are not recorded as a near miss.</p>	
<b>A/21/12/12</b>	<b>Value for Money Update</b>	
	The Committee discussed the report and noted that the value for money short-term actions have led to an increase in the EBITDA on a reduced turnover.	
<b>A/21/12/13</b>	<b>Draft - Annual Audit Committee Report</b>	
	<p>The Director of Governance presented the Annual Audit Committee Report and advised that it was required by the Post-16 Audit Code of Practice.</p> <p>The Committee agreed that the Annual Audit Committee report was a comprehensive summary of the year and confirmed that:</p> <p><i>The Audit Committees opinion is that the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets during 20/21 were effective.</i></p> <p><b>Governors resolved to recommend to Corporation:</b></p> <ul style="list-style-type: none"> <li>• <b>the Annual Audit Committee Report.</b></li> </ul>	
<b>A/21/12/14</b>	<b>Agenda Planning</b>	
	<p>Cyber security</p> <p>Funding Assurance update</p>	

Review of implementation of Management Letter actions		
<b>A/21/12/15</b>	<b>Review of Meeting</b>	
<ol style="list-style-type: none"> <li>1. Confidential Items: Item 5 and Annual Accounts until published</li> <li>2. Risk Management: Risks increased. Training to be arranged for new Governors.</li> <li>3. Health and Safety: None</li> <li>4. Equality and Diversity: None</li> <li>5. Media: None</li> <li>6. How did the meeting go: A lot of papers with comprehensive presentations and assurances given. It would be expected that at the next Audit there would be a reduction in issues raised.</li> </ol>		
	<b>Date of Next Meeting</b>	
3 5 22 9am Teams		