

East Coast College

Audit Committee Meeting 9am 6th December 2022 Video Conference

Present:	Giles Kerkham (GK) Rob Evans (RE) Roland Kaye (RK) Christina Sadler (CS) and David Shaw (DS)
In attendance:	Wendy Stanger (Director of Governance) Urmila Rasan (Deputy Chief Executive) Lucy Wharry (Head of Finance) Suzanne Rowlett (RSM Internal Audit) and Adam Smith (ScruttonBland External Audit.)
A/22/12/1	Membership and Apologies
<p>It was noted that Andrew Walmsley (AW) had resigned as a Governor and that Rob Evans (RE) had joined the Committee.</p> <p>The Director of Governance advised that recruitment for an additional governor with skills relevant to the committee was to commence shortly.</p> <p>Apologies from Karl Bentley (RSM Funding Assurance).</p> <p>The new Head of Finance was welcomed to her first meeting.</p>	
A/22/12/2	Declarations of Interest
There were no declarations of interest	
A/22/12/3	To approve the Minutes of the meeting of the Audit meeting held on 11th July 2022 and any other matters raised previously not otherwise included in the Agenda
The minutes of the meeting of 11 th July 2022 were agreed as a true record.	
A/22/12/4	To review the post-meeting action log
The action log was reviewed and it was noted that these were completed by items on the agenda.	

A/22/12/5	Internal Audit Reports	
A/22/12/5.1	Progress Report and FE Emerging Issues	
<p>Internal Audit presented a progress report on the internal audit programme. During the year audits had been carried out on financial planning and budgetary control and the general ledger, and presented to this meeting was the follow up on the general ledger audit. The fraud advisory audit was delayed into the next financial year and it had been agreed previously to delay the asset management audit until the new system was in place.</p>		
A/22/12/5.2	Off the job checking process review and Funding Assurance Review - brought forward from July 22 committee	
<p>Internal Audit presented the audits and apologised again that Karl Bentley (RSM Funding Assurance) was not available to present. These were advisory audits so no opinion given and all actions had been agreed by the College.</p> <p>The Deputy Chief Executive advised on actions taken to address the issues identified in the audits. This included a work study by RSM, this focused on reviewing the existing processes in operation and the framework in place for monitoring the apprenticeship provision. The draft report had been reviewed by the Senior Team and the Board and the required system changes and processes were now being put in place. There would be a follow up funding assurance audit in May 2023 which would review progress.</p> <p>Governors challenged if progress had already been made with the audit actions. The Deputy Chief Executive advised that the recommendations related to AEB and 16-18s had already been implemented and the focus for completion was the off the job recommendations which included legacy files.</p> <p>Governors challenged why the issues with apprenticeships was taking so long to resolve. The Deputy Chief Executive advised that the apprenticeship system was very complicated with constantly changing rules and was not just an issue at this College. The College had implemented changes and tightened procedures and processes and there was now monthly monitoring, a new compliance officer in post and an apprenticeships dashboard to assist with monitoring. The College also delivered the more complicated apprenticeship programmes, with 70% being engineering/construction. The cost of compliance could drive colleges away from apprenticeship delivery as it's not financially sustainable with colleges only continuing to deliver as was a political priority and what the local community and employers needed.</p> <p>Governors challenged if the College had a trained team. The Deputy Chief Executive advised that MI Team understood the rules and the forms had been redesigned to reflect the rules. This training would be updated at least annually. The apprenticeship team also needed to understand and be trained to ensure compliance and this had been a focus of the changes.</p>		

	Governors discussed how there was a need to ensure that employers also complied with the funding rules and this was complicated by the College working mainly with SMEs.	
A/22/12/5.3	General Ledger Audit - Follow up Audit	
	<p>Internal Audit presented the follow up audit on the general ledger, which the Committee had requested. This showed that progress had been made but there was still an action outstanding.</p> <p>The Deputy Chief Executive advised that subsequent to the follow up audit all of the agreed actions had now been implemented. There had been issues previously in the team which have been resolved and there is now in place a fully trained and technically competent team.</p> <p>The Head of Finance commented that since the team changes processes were being followed, information including the management accounts were timely and she was confident in the team's abilities.</p> <p>Internal Audit commented that since the team changes information requested had been received quicker and the Director of Governance confirmed that management accounts were now being received on time.</p>	
A/22/12/5.4	Subcontracting Controls	
	Internal Audit presented the report which was required due to the ESFA funding requirements. There had been one action which has been completed.	
A/22/12/5.5	Annual Internal Audit Report 2021/22	
	<p>Internal Audit presented the report. The annual opinion limited to the areas covered on the advisory and assurances audits was a negative opinion that 'there are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.' This had mainly been influenced by the outcome of the General Ledger Audit and the Off the Job Advisory Audit.</p> <p>The Deputy Chief Executive commented that the General Ledger recommendations had now all been implemented and the Off the Job Advisory Audit had been an advisory audit and was being implemented as advised to the Committee and a follow up audit would be carried out in the Spring.</p> <p>The Internal Auditor advised that the Annual Report was only one form of assurance that the Committee had and they needed to form their opinion on the wider assurance that they had received as theirs was limited to what they had reviewed.</p>	

A/22/12/5.6	Internal Audit Plan 2022/23 for recommendation to the Board	
<p>Internal Audit presented the Audit Plan for 2022/23 which had been drafted based on risk and in consultation with the Deputy Chief Executive and Director of Governance. The timings of the audits had been agreed with the College with the asset management one planned for term 3 to allow time for the new processes to be completed. The annual audit opinion would consider the advisory and assurance audits.</p> <p>The Deputy Chief Executive advised that the fixed asset register reconciliation had now been completed, but that the asset management audit had been set for term 3 to allow the changes made to be bed in.</p> <p>Governors challenged the scope of the enrolment audit and what it would consider in addition to enrolment efficiency and effectiveness. Internal Audit advised that it would also consider value for money and best practise.</p> <p>Governors challenged why risk had been suggested as an audit when the reports had stated that the risk processes could be relied on. Internal Audit advised that the audit would look at the overall College system to assess its effectiveness in managing the College's risk.</p> <p>The Committee resolved to:</p> <ul style="list-style-type: none"> • Recommend the Audit Plan 2022/23 to the Corporation for approval. 		
A/22/12/6	External Audit - Annual Accounts	
A/22/12/6.1	East Coast College Audit Findings - Management Letter and Letter of Representation	
<p>External Audit presented the management letter and letter of representation.</p> <p>The Committee reviewed each recommendation included in the management letter.</p> <ol style="list-style-type: none"> 1. Fixed Asset Register – it was noted that significant improvement had been made but there was a need for regular review. The Deputy Chief Executive advised that a review would be required due to the Great Yarmouth redevelopment as these assets will need separating out as they will require amortisation. 2. Purchase Order Accruals – the Deputy Chief Executive advised that the policy will be amended and the Head of Finance advised that there had been an error in processing due to the system requiring the orders to be closed off in two places which the team had not been aware of. 3. Teachers Pension – the Deputy Chief Executive advised that there had been a deep dive into the pensions to address issues identified in year. There was now a pension expert in post and reconciliations were being carried out monthly. The implementation on Trent for HR and payroll will reduce the risk of errors. 4. Group balances – the Deputy Chief Executives access to post journals has been removed and reconciliations are taking place. 		

	<p>5. Bank reconciliations – the Deputy Chief Executive advised that this was an inter-company balance and reconciliations are taking place.</p> <p>6. DBS certificates – the Deputy Chief Executive advised that the College was looking at implementing a rolling programme of DBS reviews starting 2023/24. As this was a policy change it would require union consultation. Governors commented that staff should be required to register for the update service.</p> <p>Governors challenged why VAT returns had not been submitted. The Deputy Chief Executive advised that the returns could not be submitted until the VAT methodology was agreed with HMRC. This was all being dealt with by RSM, the College’s tax advisors. The data had been provided to RSM and they were submitting the returns.</p> <p>Governors discussed the amount of adjustments in the letter of representation. The Deputy Chief Executive advised that there would be adjustments annually and a lot of them were advised to the External Auditors by the College.</p> <p>Governors discussed if any of the issues identified required a note in the accounts under significant control weaknesses. The External Auditors advised that they were not material weaknesses and had not led to a failure.</p>	
A/22/12/6.2	ECETA Accounts 2021/22	
	<p>The ECETA Accounts 2021/22 were noted.</p> <p>The Director of Governance advised that these would be reviewed and approved by the ECETA Board but were included for the Audit Committee as they were part of the group accounts.</p>	
A/22/12/6.3	ECC Accounts 2021/22	
	<p>External Audit presented the annual accounts. The College was a going concern based on the budget and forecast and no covenants had been breached.</p> <p>Governors discussed the effect of ONS reclassification and agreed that even though there was no effect on the 2021/22 accounts a post balance sheet event note should be added.</p> <p>Governors challenged the treatment of VAT. External Audit advised that the VAT was a potential contingent asset but the timing and amount of the refund remains uncertain. Therefore, the contingent asset has not been recognised as it is not considered virtually certain for recognition in accordance with FRS 102 and a note to this effect had been added. Governors agreed that the note needed to be expanded to cover the post 2020 period. The Deputy Chief Executive advised that the Board had previously agreed that the VAT should only be accounted for when it was received. The data for the VAT returns was with RSM for submission.</p> <p>Governors discussed the changes in the pension reserve from a deficit to a surplus. External Audit advised that the unrecognised surplus is not expected to be recovered through either refunds or reduced future contributions given that the scheme overall is in deficit.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • Post balance sheet note on ONS reclassification to be added to the ECC Accounts 2021/22 • VAT note to be updated to reflect the possibility of a refund post 2020. • Staff Numbers and staff cost to be corrected 	<p>External Audit</p> <p>External Audit</p> <p>External Audit</p>

A/22/12/7	To review the Risk Register	
A/22/12/7.1	Strategic Risk Register	
A/22/12/7.2	Tactical - Finance and General Purposes Committee	
A/22/12/7.3	Tactical - People Committee	
A/22/12/7.4	Tactical - Curriculum Development	
A/22/12/7.5	Tactical - Quality and Standards	
A/22/12/7.6	Tactical - Governance Remuneration & Search	
A/22/12/7.7	Tactical - Estates	
<p>The Committee reviewed the risk registers and the minute extracts. It was noted that additional risks had been added and the Estates Committee's risk registers were now in place.</p> <p>The Committee were assured by the various committee's reviews of their risk registers.</p>		
A/22/12/8	Data Protection Annual Report	
<p>The Data Protection Annual Report was noted and that there had been no significant breaches.</p>		
A/22/12/9	Annual Report Whistle Blowing and Freedom of Information	
<p>The Annual Report Whistle Blowing and Freedom of Information was noted. The Director of Governance advised that the College received very few freedom of information requests and had, had no whistle blowing cases in the year.</p>		
A/22/12/10	Fraud Register	
<p>The fraud register was noted and that it was again a nil return.</p> <p>The Director of Governance advised that the fraud advisory audit was looking at fraud risks across all the risk registers.</p>		
A/22/12/11	Strategic Risks Assurance Mapping	
<p>The strategic risk assurance mapping was noted and the Committee agreed that it was a useful summary of the assurances.</p>		
A/22/12/12	Draft - Annual Audit Committee Report	
<p>The Director of Governance presented the Annual Audit Committee Report and advised on the assurance used. The committee approved the conclusion and thanked the Director of Governance for the detailed report.</p> <p>The Committee resolved to:</p> <ul style="list-style-type: none"> • Recommend the Annual Audit Committee Report to the Board. <p>The Internal and External Auditors left the meeting.</p>		

A/22/12/13	Private Session with the Senior Team	
<p>The Deputy Chief Executive raised the Internal Audit Annual Report and whether it was appropriate to use the advisory audits to form the opinion. When the College had gone out to tender the College had tended for system and funding assurance. The Internal Auditors were advising that an annual opinion could not be given just on the system audits as there was not enough coverage.</p> <p>Governors commented that as the audits were focussed on areas of risk or concern a negative opinion was the likely outcome and with the split of the contract between systems and advisory this would be based on a limited review. It was more appropriate to assess the individual audit outcomes.</p> <p>The Committee noted that the ONS review may have an effect on the audit requirements but the details of any change were not yet known.</p> <p>The Director of Governance advised that as per the Audit Code the College would be looking to re-tender the External Audit Service. There was no restriction in reappointing the current provider.</p> <p>Governors agreed the following action:</p> <ul style="list-style-type: none"> • To recommend to the Board that an annual opinion was not required from the internal auditors because of the split of the audits between system and advisory funding assurance ones. 		Chair
A/22/12/14	Agenda Planning	
None		
A/22/12/15	Review of Meeting	
<ol style="list-style-type: none"> 1. Confidential Items: Detail of audit findings and accounts until published. 2. Risk Management: None 3. Health and Safety: DBS rolling programme of checks. 4. Equality and Diversity: None 5. Media: None 6. How did the meeting go: A good detailed meeting. <p>Governors discussed if the annual accounts should include more detail on the College's social value.</p> <p>The Director of Governance advised that the College's Annual Review picked up areas of the College's corporate social responsibility. https://www.eastcoast.ac.uk/wp-content/uploads/2022/07/East-Coast-College-Annual-Review-2022.pdf</p>		