

## East Coast College

### Audit Committee Meeting 9am 11 July 2023 Video Conference

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| <b>Present:</b>  | Giles Kerkham (GK) Rob Evans (RE) Roland Kaye (RK) and Teresa Sharman (TS)   |               |
| <b>In attendance:</b>  | Wendy Stanger (Director of Governance) Lucy Wharry (Head of Finance) Suzanne Rowlett and Nicola Trevallion (RSM Internal Audit) Tim O'Conner (ScruttonBland External Audit.)   |               |
|  | <b>Confidential Private Session with the Internal and External Auditors</b>  | <b>Action</b> |
| A private session was held with the Internal and External Auditors. No issues of concern were raised.  |  |               |
| <b>A/23/07/1</b>   | <b>Membership and Apologies</b>  |               |
| Apologies - David Shaw (DS) and Urmila Rasan (Deputy Chief Executive)  |  |               |
| <b>A/23/07/2</b>   | <b>Declarations of Interest</b>  |               |
| There were no new declarations of interest   |  |               |
| <b>A/23/07/3</b>   | <b>To approve the Minutes of the meeting of the Audit meeting held on 2<sup>nd</sup> May 2023 and any other matters raised previously not otherwise included in the Agenda</b> |               |
| The minutes of the meeting of 2 <sup>nd</sup> May 2023 were agreed as a true record.   |  |               |
| <b>A/23/07/3.1</b>   | <b>To approve the minutes of the last additional meeting 27<sup>th</sup> June 23 and any other matters raised previously not otherwise included in the agenda</b>              |               |
| The minutes of the meeting 27 <sup>th</sup> June 2023 were agreed as a true record.  |  |               |
| <b>A/23/07/4</b>   | <b>To review the post meeting action log</b>   |               |
| The action log was reviewed.<br>A/23/05/5 - The Director of Governance advised that the funding audit report had still not been received therefore the resultant action plan had not yet been produced. The subcontracting audit was in progress and would report within the required timeframe. |  |               |
| <b>A/23/07/5</b>   | <b>Internal Audit Reports</b>  |               |
| <b>A/23/07/5.1</b>   | <b>Progress Report</b>   |               |
| Internal Audit presented a progress report on the internal audit programme. Two final reports have been issued - Asset Management and Follow Up.   |  |               |

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|                           | <p>The Committee noted that the sector update was a useful document and the Director of Governance advised that this had been shared with the Board in the Governance Update.</p>   |  |
| <p><b>A/23/07/5.2</b></p> | <p><b>Asset Management</b></p>  |  |
|                           | <p>Internal Audit presented the Asset Management report, this was reasonable assurance with 6 low and 1 medium actions. There had been significant improvement since the last review.</p> <p>The Head of Finance advised that some of the agreed actions had already been completed. The team had worked hard to address the previous asset management issues and were now confident with the records and processes including the month end. This work had included multiple journals to correct the original records rather than a quick fix.</p> <p>The Audit Chair thanked the Finance Team for the work and improvements made. The Committee agreed that this was very positive and commended the teams work to the Board.</p>  |  |
| <p><b>A/23/07/5.3</b></p> | <p><b>Follow Up</b></p>   |  |
|                           | <p>Internal Audit presented the follow up audit which was reasonable progress of the nine management actions followed up, six had been implemented, two were in progress and one was not yet implemented due to a delay in the HR system implementation</p>   |  |
| <p><b>A/23/07/5.4</b></p> | <p><b>Internal Audit Plan</b></p>   |  |
|                           | <p>Internal Audit presented the proposed Internal Audit Plan which had been produced in discussion with management, and took into account risk and corporate priorities. As agreed with the Audit Committee the annual summary report will not include an annual Head of Internal Audit Opinion.</p> <p>Governors discussed the proposed plan and the areas covered. The Committee agreed that the areas to be covered were appropriate and that cyber security needed to be an integral part of the IT Controls review as this was a substantive business risk. Internal Audit advised that as part of the review they would also consider other assurance that the College had, such as penetration testing.</p> <p>Governors challenged why Procurement and Contract Management was not planned to be audited and it was agreed that this should be included for 2024/25. The Head of Finance advised that a procurement system was being considered for catering. The Director of Governance advised that if required this would be brought to the appropriate governance committee for approval.</p> <p>Governors queried if additional audits were required on funding given the recent ESFA Funding Audit and compliance issues. The Director of Governance advised that the mock funding audit was a separate workplan to the Internal Audit Plan and that assurance on areas such as Apprenticeship quality was also provided through other Committee reporting.</p> |  |

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|                         | <p>The Director of Governance advised that the Board would be provided assurance on its governance arrangements through the External Board Review which was to take place in the new academic year.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Procurement and Contract Management to be included in the 2024/25 Audit Plan.</b></li> <li>• <b>IT Controls review scope to be reviewed by the Audit Committee prior to the Audit.</b></li> </ul>  | <p><b>RSM</b></p> <p><b>RSM</b></p> |
| <p><b>A/23/07/6</b></p> | <p><b>External Audit - Audit Planning Letter</b></p>  |                                     |
|                         | <p>External Audit presented the Audit Planning Letter and advised that work had already commenced and the initial planning meeting held. The Audit would consider the changes following reclassification and the overall requirements in HM Treasury's 'Managing Public Money'. There were also two revised standards applicable to the accounting year, ISA (UK) 240 (Revised) – "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements" and ISA (UK) 315 (Revised) – "Identifying and Assessing the Risks of Material Misstatement." The interim audit would be a detailed one and take place in August with the fieldwork in October.</p> <p>Governors discussed the pension and how this would be accounted for given that it was likely to be a substantial asset. External Audit advised that even though an asset some authorities were looking at increasing contributions and the accounting treatment would be reviewed during the audit.</p> <p>The Head of Finance advised that everything was in place for the Audit and that the new portal to be used for sharing information should make the audit smoother.</p> |                                     |
| <p><b>A/23/07/7</b></p> | <p><b>Fraud Register</b></p>  |                                     |
|                         | <p>The Head of Finance presented the register which included one case of circa £5k. The fraud case was explained, how this had been identified, managed and the changes in control that had been put in place. This would be reviewed in the Internal Audit that was planned.</p> <p>The Director of Governance advised that the police had been involved and the Head of Finance advised that the majority of the money had been paid back.</p> <p>Governors challenged if the fraud policy had been followed in the case and agreed that a review of this needed to be carried out.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>A review of the application of the Fraud Policy in the fraud case to be carried out by the Director of Governance and reported to the next Audit Committee.</b></li> </ul>   | <p><b>WS</b></p>                    |

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| <b>A/23/07/8</b>  | <b>Audit Action Plan Update</b>   |           |
| <p>The Head of Finance presented the Audit Action Plan which set out progress on the actions agreed in the management letter.</p> <p>Governors challenged progress with revisiting DBS checks. The Head of Finance advised that this was to be a rolling programme commencing with those with high student contact and those who have not been checked for the longest period. It was best practise to review but not a requirement. The Director of Governance advised that governors were included on the single central register so the review would include governors.</p>  |   |           |
| <b>A/23/07/9</b>  | <b>To review the Risk Register</b>  |           |
| <b>A/23/07/9.1</b>  | <b>Strategic Risk Register</b>  |           |
| <b>A/23/07/9.2</b>  | <b>Tactical - Finance and General Purposes</b>                                    |           |
| <b>A/23/07/9.3</b>  | <b>Tactical - Quality and Standards</b>   |           |
| <b>A/23/07/9.4</b>  | <b>Tactical - Curriculum Development</b>  |           |
| <b>A/23/07/9.5</b>  | <b>Tactical - People</b>  |           |
| <b>A/23/07/9.6</b>  | <b>Tactical - Governance Remuneration &amp; Search</b>                            |           |
| <p>The Committee reviewed the risk registers and the minute extracts. The risk registers gave assurance that the risks were being considered and mitigated.</p> <p>Governors reiterated that when the Committees were considering the Audit Committees questions there needed to be a yes/no response as well as an explanation and the minutes needed to reflect this.</p> <p>Governors challenged why the Estate Committee register had not been reviewed and how the risk of day to day maintenance was reviewed. The Director of Governance advised that the Estates Committee was a task and finish group to oversee the projects and therefore only met as required. Due to the delay in the projects the register had not been reviewed, these would be reviewed at the next meeting. Day to day maintenance was the responsibility of the Finance and General Purposes Committee, and reflected in their risk register.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li><b>Estates Committee Risk Register to be reviewed at the next Audit Committee.</b></li> </ul> |   | <b>UR</b> |
| <b>A/23/07/10</b>   | <b>Policies for Approval</b>  |           |
| <b>A/23/07/10.1</b>   | <b>QD104 - Regularity Propriety and Compliance Manual</b>                         |           |
| <b>A/23/07/10.2</b>   | <b>QD106 - College Companies, Mergers, Acquisitions and Joint Ventures Policy</b> |           |
| <b>A/23/07/10.3</b>   | <b>QD107 - Revenue and Capital Budget Policy</b>                                  |           |

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| A/23/07/10.4  | QD108 - Income Policy                                       |           |
| A/23/07/10.5  | QD031 - Procurement Policy and Procedure                    |           |
| A/23/07/10.6  | QD113 - Inventory and Asset Management Policy               |           |
| A/23/07/10.7  | QD114 - Credit Management Policy                            |           |
| A/23/07/10.8  | QD115 - Treasury Management, Banking and Cash Policy        |           |
| A/23/07/10.9  | QD007 - Travel and Subsistence Policy and Procedure         |           |
| A/23/07/10.10   | QD116 - Management Accounts and Cashflow Policy & Procedure |           |
| <p>The Director of Governance advised that the policies had been updated including to reflect the requirements of HM Treasury's 'Managing Public Money.'</p> <p>Governors commented that the QD116 - Management Accounts and Cashflow Policy &amp; Procedure should also consider KPIs and the Head of Finance advised that she had been tasked to consider KPIs for the management accounts.</p> <p>Governors noted that there had been a change in the virements and that this wasn't explained in the policy review report and needed to be updated for when the Board considered the policies.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Policies Review Report to be updated for the Board's review of the policies.</b></li> </ul> <p><b>The Committee resolved to recommend to Corporation that the revised College Policies are approved:</b></p> <ul style="list-style-type: none"> <li>• <b>Regularity, Propriety and Compliance Manual</b></li> <li>• <b>College Companies, Mergers, Acquisitions and Joint Ventures Policy</b></li> <li>• <b>Revenue and Capital Budget Policy and Procedure</b></li> <li>• <b>Income Policy</b></li> <li>• <b>Procurement Policy and Procedure</b></li> <li>• <b>Inventory and Asset Management Policy</b></li> <li>• <b>Credit Management Policy</b></li> <li>• <b>Treasury Management, Banking and Cash Policy</b></li> <li>• <b>Travel and Subsistence Policy and Procedure</b></li> <li>• <b>Management Accounts and Cashflow Policy and Procedure</b></li> </ul> |   | <b>UR</b> |
| A/23/07/11  | Agenda Planning   |           |
| None  |   |           |
| A/23/07/12  | Review of Meeting   |           |
| 1. Confidential Items: Detail of audit findings and Fraud report.   |   |           |

2. Risk Management: No additional to that minuted

3. Health and Safety: None

4. Equality and Diversity: None

5. Media: None

6. How did the meeting go: Good meeting.

The Committee noted thanks to Roland Kaye and David Shaw who were stepping down as their term of office had ended. Their contributions would be missed by the Committee.