

## East Coast College

### Audit Committee Meeting 9am 5<sup>th</sup> December 2023 Video Conference

<b>Present:</b>	<p>For the joint meeting with Finance and General Purposes</p> <p>Audit Committee: Giles Kerkham (GK) Rob Evans (RE) and Teresa Sharman (TS) and</p> <p>Finance and General Purposes: Ian Lomax (IL) Mike Dowdall (MD) Peter Blackburn (PB) Joe Rahman (JR)</p> <p>For the Audit Committee: Giles Kerkham (GK) Rob Evans (RE) and Teresa Sharman (TS)</p>	
<b>In attendance:</b>	<p>Urmila Rasan Deputy Chief Executive Wendy Stanger (Director of Governance) Lucy Wharry (Head of Finance) Charlotte Burgess (Deputy Head of Finance) Suzanne Rowlett (RSM Internal Audit) Tim O'Connor (Scrutton Bland External Audit.) Lisa Smith (RSM for item 7) and for item 15 Paula Padda (Deputy Principal, Curriculum, Quality and Learner Experience) and Julia Bates (Deputy Principal Curriculum and Strategic Partnerships)</p> <p>Rob Lawson observing for External Board Review</p>	
<b>A/23/012/1</b>	<b>Membership and Apologies</b>	<b>Action</b>
<p>The Audit Committee Chair welcomed the Finance and General Purposes Committee to the meeting.</p> <p>Apologies – re Finance and General Purposes Committee Stuart Rimmer (CEO/Principal)</p>		
<b>A/23/12/2</b>	<b>Declarations of Interest</b>	
<p>There were no new declarations of interest</p>		
<b>Joint meeting with Finance and General Purposes</b>		
<b>A/23/12/3</b>	<b>External Audit - Annual Accounts</b>	
<b>A/23/12/3.1</b>	<b>East Coast College Audit Findings - Management Letter and Letter of Representation</b>	
<b>A/23/12/3.2</b>	<b>ECETA Accounts 2022/23</b>	
<b>A/23/12/3.3</b>	<b>ECC Accounts 2022/23</b>	
<p>The External Auditors, Scrutton Bland, presented the Annual Accounts and Management Letter. The Audit was a clean unmodified one. It has been a smooth process demonstrating the work and improvements the finance team had made over the last year and he thanked the Deputy Head and Head of Finance for their support during the audit.</p> <p>The Management Letter included two recommendations only, one related to the payroll and one related to cyber security. There was also a follow up on the previous year's recommendation reviews of DBSs where it was noted the three year rolling programme had commenced.</p>		

Governors commented that the management letter demonstrated the College's positive work and system improvements. The finance team and the auditors were thanked for all their hard work during the Audit.

Governors challenged the level of historic payroll variance in the Management Letter recommendations. The Deputy Chief Executive advised that the variance had built up over a number of years and the related action regarding reconciliation of control accounts had been agreed. When the HR system was fully implemented the need for a reconciliation would be removed.

Governors discussed cyber security and the type of risks that Colleges were threatened with. The External Auditors advised that this ranged from payment diversion frauds right through to a whole college cyber attack. The cyber attacks were getting more sophisticated and were also using AI to replicate the language and phrases used. As soon as additional controls were put in place the attacks changed. The Deputy Chief Executive advised that the College was developing its cyber security but this required investment. An internal audit was to be carried out this academic year, the scope of which was on the Audit Committee's agenda.

The External Auditors advised that the financial statements include several accruals for the clawback of funding income. Some funding income has also been deferred for services not delivered during the year, this included the Apollo Project which had been funded in advance. This work had not been flagged at planning stage this year but would be included in the plan for the next year. The College had taken a prudent approach and this was reviewed to ensure only appropriate income deferrals and cost accruals were included. Governors noted where this had been reflected in the accounts and the affect this would have on the next financial year.

Governors challenged the level of accrual for apprenticeship income noted in the Management letter. The Deputy Chief Executive advised that the apprenticeship funding methodology meant that until the ILR was signed off in the new year there was potential for clawback which needed to be allowed for.

Governors noted that the management letter set out that the redevelopment of the Great Yarmouth Campus project was to be largely funded by the Department of Education. However, the College is expected to be required to contribute from its existing funds, and queried the College's contribution. The Deputy Chief Executive advised that the College's contribution was a fixed amount to be paid at the end of the contract. A paper on the College's capital contributions had been considered by the Finance and General Purposes Committee at its last meeting.

The Director of Governance advised that the ECETA accounts included in the pack were reflected in the College's group accounts. The ECETA Board would review their accounts at the ECETA December Board meeting.

Governors queried the targets included in the Accounts Strategic Report, what time period they related to and whether all were still relevant. The Director of Governance advised that these were from the College's Strategic Plan 2020-2030 and it was agreed that the report should be updated to reflect this. These targets would be reviewed as part of the current Strategic Plan review.

Scrutton Bland presented the accounts including the going concern statement. The audit had not identified any material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. The Director of Governance reminded the committee that the going concern statement was the Boards and it was responsible for assessing the College's ability to continue as a going concern. The Committee reviewed the sections related to going concern including the statement from the Audit Committee's and agreed with the conclusions.

Governors discussed the need for the College to have a formal reserves policy and agreed that the Finance and General Purposes Committee should review this.

<p>Governors noted that the accounts included the Senior Post Holder remuneration increases and reiterated the need to have a prepared statement for when published. The Director of Governance advised that the signed accounts were published on the College's website once approved and signed.</p> <p>Governors discussed the VAT refund accounting treatment and noted that it had been included under miscellaneous income. They also noted the effect of inflation on expenditure. The Deputy Chief Executive advised that all back VAT payments had now been received and that inflationary increases had been seen across all operating expenses.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Annual accounts Strategic Report section to be updated to include the time period for the College's Strategic Plan was 2020-2030 and to include the website link for it.</b></li> <li>• <b>Finance and General Purposes Committee to review the need for the College to have a reserves policy.</b></li> </ul>		<p><b>WS</b></p> <p><b>UR</b></p>
<b>A/23/12/3.4</b>	<b>Extracts from the Finance Record</b>	
<p>The Deputy Chief Executive presented the Finance Record extracts which demonstrated for the sixth year running the College was assessed as good financial health.</p> <p>Governors commented that this was an excellent achievement and thanked the Deputy Chief Executive for her financial stewardship.</p> <p>Finance and General Purposes Committee left the meeting.</p>		
	<b>Audit Committee</b>	
	<b>Confidential Private Session with the Internal and External Auditors</b>	
<p>The Deputy Chief Executive, Head of Finance and Deputy Head of Finance withdrew for this item.</p> <p>A private session was held with the Internal and External Auditors.</p> <p>Internal Audit raised no issues.</p> <p>External Audit advised that the audit had been a much more positive experience as was demonstrated by the management letter. Only issue had been the level of deferred income and potential clawbacks which had been reduced from that suggested by the College as the College had been looking to be overly prudent. Difficulty in estimating clawback where new projects and this will be assessed in next year's audit and included in the accounts planning process.</p>		
<b>A/23/12/3.4</b>	<b>To approve the Minutes of the meeting of the Audit meeting held on 11<sup>th</sup> July 2023 and any other matters raised previously not otherwise included in the Agenda</b>	
<p>The minutes of the meeting of 11<sup>th</sup> July 2023 were agreed as a true record.</p>		
<b>A/23/12/5</b>	<b>To review the post meeting action log</b>	
<b>A/23/12/5.1</b>	<b>ECC - IT Security APS Audit Scope</b>	

<p>The action log was reviewed and it was noted that all complete.</p> <p>The Director of Governance advised that the Cyber Security Scope had been added as requested by the Committee. This was discussed and agreed. It was noted that the audit was looking at assurance, and therefore RSM would not recommend software but could advice what had been seen in use elsewhere.</p>		
<b>A/23/12/6</b>	<b>Internal Audit Reports</b>	
<b>A/23/12/6.1</b>	<b>Progress Report including sector update</b>	
<p>Internal Audit presented a progress report on the internal audit programme together with a sector briefing. Two final reports have been issued on Risk Management and the advisory Fraud Review. The Audits planned for the year will commence in January with the IT Controls as per the scope reviewed and these audits would continue to be hybrid.</p> <p>The Committee commented that the sector updates were very useful briefings. The Director of Governance advised that these had been shared with the Board in the Governance Update and through the portal.</p>		
<b>A/23/12/6.2</b>	<b>Risk Management</b>	
<p>Internal Audit presented the Risk Management report, which was substantial assurance with 3 low level recommendations.</p> <p>The Director of Governance advised that recommendation is relation to the Estates Committee had been complete, with the updated risk register at agenda item 9.7. The recommendation is relation to the Risk Management Strategy was to reflect what was happening in practise in relation to emerging, escalation and de-escalation or risks and to update titles. The risk register demonstrated that the Committees identified and added risks and this needed to be reflected in the Strategy.</p>		
<b>A/23/12/6.3</b>	<b>Fraud Review - advisory review</b>	
<p>Internal Audit presented the Fraud Review which was an advisory review with support provided to the College on fraud risks.</p> <p>The Director of Governance advised that as part of the review fraud risks had been added to the Committee's risk registers.</p>		
<b>A/23/12/6.4</b>	<b>Annual Summary Report</b>	
<p>Internal Audit presented the Annual Summary Report, as agreed with the Committee this did not include an annual opinion and was just a summary of the work carried out.</p> <p>Governors discussed the Enrolment – Learner Journey Audit and challenged if the lapses in compliance had been addressed. The Deputy Chief Executive advised that they had and that the recommendations implementation would be reviewed in the Internal Audit Follow Up Audit.</p>		

A/23/12/7	<b>RSM Audit - Assessment against the ESFA Subcontracting Standard: funding year 2022/23</b>	
A/23/12/7.1	<b>For information ESFA Subcontracting Standard – Lessons Learnt 2023</b>	
<p>Lisa Smith from RSM joined the meeting and presenting the report. This assessment was outside the audit plan, and was the first year of the Subcontracting Standard review. This is an ESFA requirement for those Colleges subcontracting over £100k. This report details the findings of RSM’s review of the College’s compliance against the subcontracting standard and had to be submitted to the ESFA by 31 7 2023. It will assist ESFA in determining whether the College has the systems and controls in place to manage their subcontractors in line with the standard and provide assurance that subcontracted provision is appropriately managed. This is just one of the sources of information that the ESFA will use in making its determination, which have currently been delayed by ESFA. The determinations that ESFA could make are:</p> <ul style="list-style-type: none"> <li>• achieved the standard;</li> <li>• not achieved the standard, but would be able to do so, if a series of identified actions are completed, which will demonstrate compliance with the standard. In this scenario the provider will be advised of the time frame to demonstrate completion of the actions by ESFA;</li> <li>• not achieved the standard and are required to cease subcontracting activities, until the ESFA are satisfied that the standard has been reached. This could mean that further audit work is required to substantiate this; and</li> <li>• not achieved the standard and due to significant concerns identified either by the reporting accountant or by ESFA results in a permanent cessation of subcontracting.</li> </ul> <p>The College’s review included a RAG rated assessment against each standard, with 81 green, 6 amber and 1 red and resultant management actions. This compares positively to the sector as can be seen in the RSM report ESFA Subcontracting Standard – Lessons Learnt 2023 included in the pack. There was a need for the College to improve its documentation and policies to ensure clarity and definition of roles; to include subcontracting provision in the business continuity plan for if they ceased or couldn’t trade and a contingency plan for specialist provision; safeguarding and prevent assessment to also cover Directors of the subcontractor; and provider development plans to include wider initiatives, including for instance sustainability, disability and employment issues.</p> <p>Governors challenged if all the actions had been completed as they all had an August completion date noted. The Deputy Chief Executive advised that the College received the report in July and worked in the summer to complete the agreed actions.</p> <p>Governors challenged what the Colleges determination was likely to be. RSM advised that the College’ s report was a very positive one. Each of the areas of the standard were weighted by the ESFA and the areas the College needed to address should be the lower weighted ones. As this was the first year it was hard to judge but the College was likely to either be not achieved the standard, but would be able to do so, if a series of identified actions are completed or have achieved the standard.</p>		

<p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Funding Review assurance to include a review of progress against the actions set out in the Subcontracting Standard review, with the detail of review to be based on the ESFA's determination.</b></li> </ul>		<b>UR</b>
<b>A/23/12/8</b>	<b>Annual Audit Committee Report to the Board</b>	
<p>The Director of Governance presented the report and advised that the report and its contents were a requirement of the Audit Code. The Committee's terms of reference had also been reviewed and the proposed revised ones were included as an appendix to the report.</p> <p>Governors discussed the report including the self-assessment and queried the changes made to the Term of Reference. The Director of Governance advised that these had been updated to include the Committee's objective and an introductory paragraph which had been added in all committee's terms of reference and reviewed to ensure that they met the requirements of the audit code.</p> <p><b>Governors agreed the following action:</b></p> <ul style="list-style-type: none"> <li>• <b>Annual Report to be updated to reflect the Subcontracting Standard Review and the self-assessment section to note that the 'don't know' responses were from a new governor.</b></li> </ul> <p><b>The Committee resolved to approve:</b></p> <ol style="list-style-type: none"> <li>1. <b>the annual report subject to the noted amendments, and agreed its submission to Corporation</b></li> <li>2. <b>the Audit Committee's revised terms of reference and recommend their adoption to the Corporation.</b></li> </ol>		<b>WS</b>
<b>A/23/12/9</b>	<b>To review the Risk Register</b>	
<b>A/23/12/9.1</b>	<b>Strategic Risk Register</b>	
<b>A/23/12/9.2</b>	<b>Tactical - Finance and General Purposes</b>	
<b>A/23/12/9.3</b>	<b>Tactical - Curriculum Development</b>	
<b>A/23/12/9.4</b>	<b>Tactical - Quality and Standards</b>	
<b>A/23/12/9.5</b>	<b>Tactical - People</b>	
<b>A/23/12/9.6</b>	<b>Tactical - Governance Remuneration &amp; Search</b>	
<b>A/23/12/9.7</b>	<b>Tactical - Estates</b>	
<p>The Committee reviewed the risk registers and the reviews carried out by the Committees. They commented that the addition of the summary report on changes following the register review was a useful addition and noted that the fraud risks had been added.</p>		

<p>The Director of Governance advised the summary report for this iteration of the Strategic Risk Register included a summary of which tactical risks related to each strategic risk and their scoring as this had been queried at the last Audit Committee. The Estates register had now been reviewed and was also included, this was a task and finish group overseeing the various capital projects. General day to day estate management was within Finance and General Purposes Committee's remit.</p> <p>The Deputy Chief Executive advised that the College was looking at whether to have an additional cyber risk register or whether to include within the current ones.</p> <p>Governors challenged where the risk of capital projects not proceeding was covered. The Director of Governance advised that this was picked up by the Strategic Risk of 'Failure to implement the Estates Strategy.'</p>		
<b>A/23/12/10</b>	<b>Fraud Register</b>	
<p>The Committee noted the nil return on the fraud register.</p>		
<b>A/23/12/10.1</b>	<b>Fraud Policy Application</b>	
<p>The Director of Governance presented the report. The review, as requested by the Audit Committee had been carried out, this found that the Fraud Policy had not been used, with instead the Staff Disciplinary Policy followed. This resulted in a suitable resolution and the majority of the monies repaid to the College. Processes have been changed to reduce the risk of a reoccurrence and this is to reviewed in an upcoming internal audit.</p> <p><b>Governors agreed the following actions:</b></p> <ul style="list-style-type: none"> <li>• <b>the Regularity, Propriety and Compliance Manual to be updated to reference the Counter Fraud Strategy, Anti-Fraud Policy and the Anti-Bribery Policy.</b></li> <li>• <b>training and awareness raising on the Counter Fraud Strategy, Anti-Fraud Policy and the Anti-Bribery Policy to be carried out.</b></li> </ul>		<p><b>UR</b></p> <p><b>UR</b></p>
<b>A/23/12/11</b>	<b>Assurance Mapping</b>	
<p>The Director of Governance presented the assurance map which was a summary of whether the assurance was a negative or a positive one and the year the assurance was given.</p> <p>The Chair commented that this was a useful summary for the Committee.</p>		
<b>A/23/12/12</b>	<b>Data Protection Annual Report</b>	
<p>The data protections annual report was noted.</p>		
<b>A/23/12/13</b>	<b>Annual Report Whistle Blowing and Freedom of Information</b>	
<p>The Annual Report Whistle Blowing and Freedom of Information was noted.</p>		
<b>A/23/12/14</b>	<b>Hospitality and Gifts Register</b>	
<p>The Hospitality and Gifts Register was noted.</p> <p>The External and Internal Auditors left the meeting.</p>		





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