



**MINUTES OF THE AUDIT COMMITTEE OF THE
NORTH EAST SURREY COLLEGE OF
TECHNOLOGY FURTHER EDUCATION
CORPORATION HELD ON FRIDAY 24 JUNE 2016
AT 08.30 IN THE SKILLS PARK BOARD ROOM.**

PRESENT	IN ATTENDANCE
Mr Trevor Willington (Chair) Ms Catherine Biscoe Ms Joanna Lloyd Attendance = 75%	Mr Mike Cheetham – RSM Mr Cliff Hall - Head of College Mr Rajeev Shaunak - MHA Ms M Vetrone - Deputy Chief Accounting Officer Mr D Round - Clerk to the Corporation

41.15	APOLOGIES FOR ABSENCE
Received from Earl Laird.	
42.15	DECLARATIONS OF INTEREST
Joanna Lloyd declared a family connection with the Principal of Burton and South Derbyshire College, that College being a shareholder in the Saudi Arabia project.	
43.15	MINUTES
The minutes of the meeting held on 11 March 2016 were approved as a correct record.	
44.15	MATTERS ARISING
The meeting received and noted a paper (Appendix B) that provided an update about the status of action items referred from the previous meeting. An oral update report was given as follows:	
36.15 Draft Value for Money Strategy	
It was reported that an updated Procurement Strategy would be presented to the next meeting of the Committee (ACTION: MV).	
45.15	INTERNAL AUDIT REPORTS 2015/16
45.1 Capital Projects (Appendix C)	The opinion set out in the internal audit report on capital projects was that the Board could take only partial assurance (amber/red rating) that the controls upon which the College relies to manage such projects are suitably designed and consistently applied. There were six recommendations made of which three were low level, two medium level and one high level.

<p>45.2 Key Financial Controls (Appendix D)</p> <p>45.3 Corporate Planning (Appendix E)</p> <p>45.4 Learner Number Systems (Appendix F)</p> <p>45.5 International – Jeddah Female College of Excellence (Appendix G)</p>	<p>Members of the Committee expressed concern that the management responses had either not accepted or not accepted fully a number of audit recommendations. The Deputy Chief Accounting Officer confirmed that these management responses had been subject to further review, and that College Management accepted in full the recommendations made and actions required in order to strengthen the control framework.</p> <p>The Committee recommended that College management should take the opportunity, when reviewing financial regulations, to consider reducing the minimum number of tenders required from six to three in line with generally accepted practice in the public sector. (ACTION: MV).</p> <p>The audit report on key financial controls provided an opinion that the Board could take substantial assurance (green rating) that the controls upon which the organisation relies to manage this area are consistently applied. Two low level recommendations, which had been accepted by College Management, were noted.</p> <p>Due to staff absence at RSM, the internal audit review of corporate planning had been delayed. A report on this would be issued as soon as possible (ACTION: RSM).</p> <p>The learner number systems internal audit report provided an opinion that the Board could take substantial assurance (green rating) that the College is complying with SFA/EFA funding guidelines. Two recommendations were made, one medium level and one low level, both of which had been accepted by College Management.</p> <p>The internal audit assignment report on international projects (Jeddah Female College) was reviewed. The Audit Committee was advised that the opinion was split: the <i>design</i> of the control and governance framework was considered to be appropriate and robust and an opinion of substantial assurance (green rated) was provided; however, the <i>operation</i> of controls was not considered to be working effectively and therefore the Board could take no assurance (red rating) in this area.</p>
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	<p>A low level recommendation was also made that the terms of reference of the Audit Committee should make explicit reference to oversight of the risk impact of international projects on the College. This recommendation was being actioned, and the Committee and the Corporation were to be invited to revise and approve an amendment to the Committee's terms of reference in this respect by the end of the current academic year.</p> <p>The Chair expressed the Committee's serious concerns at the lack of assurance in such a significant area of activity. It was noted that the lack of effective operation of controls would also arise and be discussed elsewhere on the Committee's agenda. Subject to those discussions, it was AGREED that the Committee's concerns should be escalated to the Corporation Board at its next meeting (ACTION: DR).</p>
46.15	OUTSTANDING AUDIT ACTIONS
	<p>The Committee reviewed progress made in implementing 2014/15 and 2015/16 internal audit recommendations (Appendix H). It was noted that 20 of the 21 audit actions from 2014/15 had been implemented. The outstanding action related to the physical verification of fixed assets; this had been delayed by resource constraints in the Finance Department, but was expected to be completed during the Autumn Term. Of the 16 audit recommendations issued in the current academic year, 13 had been implemented with 3 remaining actions in the process of being completed.</p> <p>The Committee noted significant progress made in the timely implementation of audit recommendations, with any outstanding actions being followed-up as a priority.</p>
47.15	INTERNAL AUDIT STRATEGY 2016/17
	<p>The Committee reviewed the Internal Audit Strategy for 2016/17 (Appendix I). RSM referred to the need for flexibility given the changing and more turbulent environment that colleges were facing, particularly in the context of the EU referendum result. It was noted that:</p> <ul style="list-style-type: none"> • there would be a mix of standard audit assignments and risk-focused reviews; • commercial activities would be a particular area of focus; • having recently completed the international projects audit, and given the internal management focus on this area, international projects was not highlighted in the 2016/17 plan; and • the Internal Audit Strategy aligned with the College's strategic risk register.

The Committee noted the need to review the taxation implications of new commercial activities at the campus, and that the College was taking advice about whether these would be regarded as 'core' educational activities with students and apprentices being trained within College facilities. It was agreed that other colleges' commercial models should be examined **(ACTION: MV)**.

The Internal Audit Strategy for 2016/17 was **APPROVED**, and the need for flexibility with regard to emerging risks was noted.

48.15

EXTERNAL AUDIT STRATEGY 2015/16

The College's external auditor presented the proposed external audit strategy for the current year, 2015/16 (Appendix J). The Committee noted the focus on key areas identified as concerns in the previous years' audit, namely oversight of the overseas Saudi subsidiary, the accuracy of Register of Interest declarations and related-party transactions. The accounts would be presented following the new FRS 102 format: it was not believed that this would have a significant impact on current or prior year statements.

Taking account of the difficulties experienced in the previous year regarding the completion of the NCL audit and disclosure requirements, the Committee supported a proposal which was due to be considered by NBS that an associate company of the external auditor based in KSA should be appointed to support the audit of the joint venture entity **(ACTION: MV/DR)**. The Committee noted MHA's comment that the full co-operation of NCL and its officers in relation to the audit would assist in the provision of an unqualified audit opinion. The Committee was of the view that such co-operation was essential, and that NBS and MHA should clearly set out and communicate their requirements to NCL as soon as possible. It was **AGREED** that the College and the auditor should keep members of the Committee aware of the progress of the external audit, and that Committee members having early sight of the statements would be of assistance **(ACTION: MV/MHA)**.

The external audit strategy for 2015/16 was **APPROVED**.

49.15

SAUDI PROJECT REPORTING STANDARDS AND GOVERNANCE

A paper on reporting standards and governance (Appendix K) was referred to the Audit Committee by NBS from its meeting held on 23 May 2016. The Committee welcomed the report which addressed external audit recommendations made in MHA's management letter in relation to oversight of the Saudi project. As was confirmed in the internal audit report on international projects, the design of the corporate governance framework was sound but there were significant issues concerning the lack of effective operation of the controls in practice.

53.15	UPDATED VALUE FOR MONEY STRATEGY
<p>A revised draft Value for Money (VfM) Policy and Strategy was considered, which included amendments discussed at the previous meeting of the Audit Committee.</p> <p>Subject to incorporating some minor amendments, the updated VfM Policy and Strategy 2020 was APPROVED.</p>	
54.15	HEALTH AND SAFETY REPORT
<p>The report of the Health and Safety Co-ordinators to the Health and Safety Committee of May 2016 was received. The report covered the period from 01 February to 30 April 2016, and reflected discussion at the previous meeting of the Audit Committee.</p> <p>Statistics on accidents including reportable (RIDDOR) accidents, and comparative data which showed a declining 3 year trend, were noted by the Committee. The minutes of the Health and Safety Committee held on 10 May 2016 were also noted.</p> <p>The Committee requested that the Evening Emergency Evaluation Arrangement Guidance, which dated from 2011, be reviewed and updated as appropriate (ACTION: MV).</p>	
55.15	TERMS OF REFERENCE AND CYCLE OF BUSINESS
<p>The Committee reviewed the proposed amendment to its terms of reference, with the inclusion of a specific reference to the Committee's role through the existing corporate structure in considering assurance on international work undertaken by the College. This reflected a recommendation made in the internal auditor's report on international projects, discussed earlier in the meeting.</p> <p>The Committee amended clause 3.1.1, to delete the following text: '...and any co-opted members who are members of the College's senior management'.</p> <p>The Audit Committee recommended that the revised terms of reference and cycle of business be adopted by the Corporation (ACTION: DR).</p>	
56.15	ANY OTHER BUSINESS
<p>There was no further business and the meeting ended at 9.55.</p> <p>As this was the final meeting of the Chair who was standing down from the Corporation at the end of the current term, members of the Audit Committee and College staff expressed their sincere thanks to him for his wise and effective stewardship of the work of the Committee.</p>	
57.15	DATE AND TIME OF NEXT MEETING
<p>The next meeting of the Audit Committee would take place on Friday 18 November 2016 at 9.00am.</p>	

58.15	CONFIDENTIAL MATTERS
The Staff Governor withdrew for this item. A record of the discussion is lodged in the confidential minute book.	

Signed

Trevor Willington, Chair of the Audit Committee

Date

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