

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE**

**Held on Friday 24<sup>th</sup> November 2023 at 9.15 am in the Skills Park and via MS Teams**

Present: Simon Enoch (Chair), Sean Ahearne, Mark Brunt, Asa’ah Nkohkwo.

In Attendance: Chris Muller (Corporation Chair), Julie Kapsalis (CEO/Principal), Sarah Watson (Chief Operating Officer), Andy Cowan (Deputy Principal Curriculum & Quality), Chris Mason (Director of Finance), Susanne Wicks (Head of Governance).

Audit: Emma Gipson (Internal Auditor RSM), Mark Eagle (External Auditor MHA), Holly Van Der Merwe (External Auditor MHA).

<b>1</b>	<b>Apologies for Absence</b>
	No apologies for absence were received.
<b>2</b>	<b>Declarations of Interest</b>
	The CEO/Principal declared that she is an unremunerated Director of Nescot Enterprises Ltd. (NEL)
<b>3</b>	<b>Appointment of a Committee Vice-Chair</b>
	The Committee agreed to appoint a Vice-Chair later in the academic year, when new members have settled in.
<b>4</b>	<b>Minutes of the Previous Meeting and Matters Arising</b>
a	The minutes of the meeting held on 23 <sup>rd</sup> June 2023 were agreed as an accurate record.
b	<p><u>Matters Arising</u></p> <p><u>Learner Number Systems</u></p> <p>The Chair reported that, whilst in private session with the auditors, the Committee had discussed the progress made in addressing the issues identified in the audit of Learner Number Systems, as discussed at the summer term meeting. The Chair commented that this appears to be reflection of how all staff must understand the importance of collecting and inputting data accurately, and the impact of not doing so. The CEO/Principal agreed and noted that it’s an issue across the FE sector, not just in Nescot.</p> <p>The Chief Operating Officer apologised that the follow-up report was not ready to be shared with the Committee today. EG advised that her team had faced some delays in obtaining information. In response the Chief Operating Officer and CEO/Principal advised that they were not aware of those delays but would always take appropriate action if alerted.</p> <p>The Chair asked that the report be circulated to this Committee as soon as possible, rather than wait until the next meeting in March. In addition,</p>

		<p>he suggested that an update on progress be given to the Corporation on 8<sup>th</sup> December 2023.</p> <p><b>Action:</b> Chief Operating Officer to circulate the ILR Follow-Up report and Commercial Audit report as soon as they are ready.</p>
<b>5</b>	<b>Draft Annual Report and Financial Statements 2022-23</b>	
	<b>a</b>	<b>Draft Group Financial Statements and Annual Report 2022-23</b>
		<p>The Chief Operating Officer presented this item and extended thanks to the auditors, the Director of Finance and his team for their support in reaching this point.</p> <p>Having reviewed the Draft Financial Statements and Annual Report 2022-23, the Committee agreed to recommend their approval by the Corporation.</p>
	<b>b</b>	<b>Draft Management Letter and Letter of Representation 2022-23</b>
		<p>The Chief Operating Officer flagged the three specific representations included in the Letter of Representation, as follows:</p> <ol style="list-style-type: none"> <li>1) She confirmed that the balance at 31 July 2023 for the Metro bank account is £33,301.36 and that the signatories for the account need to be updated, although it is largely unused. The Director of Finance advised that it was historically used for investment and funds were withdrawn when negative press stories were circulating. ME added that this issue has been observed in many FE colleges.</li> <li>2) She confirmed that bad debts totalling £354,168 were written off during the year. DfE approval was not sought for the write-off, which was an oversight following the change in rules following the reclassification to a public sector body midway through the year. The Chief Operating Office confirmed that retrospective approval will be obtained and that the Finance Regulations have been updated to reflect the requirement.</li> </ol> <p>MB asked about the College's approach to debt recovery and the Director of Finance responded that the debts relate to the exiting of partnership arrangements and set out the efforts made to recover them. The Chief Operating Officer advised that she would be reviewing Nescot's Debt Policy, to ensure compliance with the Managing Public Money guidance, and that it would be presented to the Finance &amp; General Purposes Committee in the spring term for approval. MB undertook to share contact details for the Debt Recovery Service at Reigate &amp; Borough Council who may be able to give useful advice and guidance.</p> <ol style="list-style-type: none"> <li>3) She advised that, in relation to the Harpur Trust vs Brazel case, Nescot has assessed their exposure to the potential legal claims arising from back dated holiday pay for sessional workers and deemed the maximum liability to be immaterial to the accounts. It</li> </ol>

	<p>was noted that 15 months have elapsed since the ruling with no challenge made to Nescot to date, and the Chief Operating Officer expressed confidence that Nescot’s approach would mitigate any legal claim.</p> <p>In terms of advisory matters set out in the report, the Chief Operating Officer reassured the Committee that although there is not a policy in place relating to conditions surveys, a review of the Estates Masterplan would be carried out. The Chair noted that the Corporation are well informed about the College estate.</p> <p>The Committee noted the risk around corporation tax liability and were reassured that senior managers are aware of the need to assess those risks as and when commercial activity increases. The CEO/Principal advised that the use of the Adrian Mann Theatre will be refocused to ensure that it is first and foremost a resource for learners in the future.</p> <p>ME and HVDM presented the audit findings, Management Letter and Letter of Representation in detail, noting that the Chief Operating Officer had already covered the key items. Matters discussed are set out below.</p> <p>ME commented that, unusually, during the year the pension is shown as an asset rather than a liability, but supported the College’s decision not to formally recognise it as an asset on the balance sheet for the reasons set out in the audit report.</p> <p>HVDM advised that with regard to the ILR matters already discussed in this meeting, auditors were not able to determine and test the controls themselves during the audit due to the availability of staff members in Nescot, although management have confirmed that controls are in place and working effectively. She pointed to the Internal Audit’s confirmation that measures are in place to ensure adequate cover in future. She also confirmed that areas of good practice were identified, such as effective use of the EBS system and monthly checks being carried out appropriately. The Chief Operating Officer confirmed that business continuity in the MIS Team would be included in the assurance map.</p> <p>HVDM advised that the regularity opinion would be qualified which is not uncommon among Academies and FE Colleges.</p> <p>The Committee approved the draft Letter of Representation for signature by the Corporation on College letterhead.</p>
<p><b>c</b></p>	<p><b>Post-16 Audit Code of Practice Regularity Questionnaire</b></p>
	<p>SWa presented the completed questionnaire and advised that there were some changes from last year’s version due to reclassification. The Committee agreed that, in future, this would be presented to the summer term meeting.</p> <p><b>Action:</b> Head of Governance to update the annual cycle of business.</p>

<b>6</b>	<b>Annual Reports</b>	
	<b>a</b>	<b>Annual Internal Audit Report 2022-23</b>
		EG gave a brief summary of the report. Report received.
	<b>b</b>	<b>Draft Annual Report of the Committee 2022-23</b>
		The Chief Operating Officer presented the draft report and undertook to update it following decisions made at this meeting. The Committee agreed that the issues around the ILR should be categorised as significant matters and would be kept under review.  The Committee approved the report for submission to the Corporation.
<b>7</b>	<b>Internal Audit and Other Reports</b>	
	<b>a</b>	<b>Internal Audit Plan 2023-24</b>
		EG presented the final version of the Internal Audit Plan 23-24, a draft of which was presented to the summer term meeting.  The Chair noted that the agenda for June 2024 would be very heavy and requested that, if possible, some of the reports be presented to the March meeting.  The Chief Operating Officer noted that the staff appraisal procedure is being internally reviewed and undertook to discuss this with EG outside of the meeting.  Report received.
	<b>b</b>	<b>Commercial Audit Report</b>
		The report had not been received in time to circulate to the Committee to EG gave a verbal summary, as follows:  The audit reviewed all aspects of commercial activity, including the Osteopathy Clinic, the Sports Centre, Nestots and the Adrian Mann Theatre (AMT). The audit included benchmarking against other colleges and a review of policies and procedures.  The last audit was conducted in 2017 and the AMT was not in scope. The restaurant formerly known as Rasika no longer operates as a commercial enterprise and is now used as a student facility.  As with the previous audit, the draft report offers Partial Assurance with a number of identified actions, all of which are Medium and Low.  The Chief Operating Officer reminded the Committee that senior management requested that this audit be brought forward as they were aware that improvements were needed to practice, particularly in the AMT. The CEO/Principal advised that she had not seen the draft report but welcomed any recommendations included within it, which would inform future decisions about commercial activity.

		<p>The Chair suggested that the Corporation discuss the strategic planning around future commercial activity, any further opportunities and how best they could be managed in terms of management, accounting and governance. The Committee noted that the College has three dormant subsidiary companies; Epsom Downs Business Centre, Nescot Holdings Ltd, and Nescot Trust and, after some discussion, suggested that consideration be given to liquidate Nescot Holdings Ltd and Nescot Trust, and to retain Epsom Downs Business Centre in case it is required for future commercial activity. The Head of Governance undertook to share the advice provided by Stone King last year about the structure of Nescot’s subsidiary companies with the Chief Operating Officer to inform discussion on this matter.</p> <p><b>Action:</b> Head of Governance to share Stone King report with Chief Operating Officer.</p>
	<b>c</b>	<b>Emerging Issues for FE</b>
		<p>EG highlighted that one of the main risks to the education sector continues to be cyber security and advised that JISC is working on further security measures for colleges.</p> <p>Noting the recent curriculum reform announcements made by the DfE, the Chair asked if would be feasible to offer Engineering. The CEO/Principal acknowledged that recruitment of staff may be a challenge but it makes sense to consider it, particular in terms of Nescot’s proximity to places like Gatwick Airport. The Deputy Principal Curriculum &amp; Quality advised that there could be more success in recruiting staff to deliver specific areas of Engineering and by looking to recruit people who are also working in the sector. The Committee noted that any plans would be presented to the Corporation.</p>
<b>8</b>		<b>Risk Management</b>
	<b>a</b>	<b>Assurance Map</b>
		<p>The Chief Operating Officer advised that the assurance map has been updated to reflect changes in staffing and structure, and highlighted to identify key dates and is reviewed monthly. Whilst there has not been a great deal of movement since the summer, the Chief Operating Officer gave brief updated on the risks rag rated as Red, as follows:</p> <p><i>Failure of key information systems and loss of data long periods of time in the event of a disaster or serious outage (e.g. cyber-attack) may lead to loss of business continuity, financial loss and damage to reputation.</i></p> <p>The College is in the process of re-accrediting with Cyber Essentials and are not far from meeting the requirements for Cyber Essentials Plus. CM asked how well cyber-security awareness is embedded across the organisation and the CEO/Principal advised that it is mixed, although all staff have recently completed refresher training and regular phishing exercises are conducted, with follow-up training delivered where needed.</p>

	<p>The Committee asked for a report on cyber-security to be brought to the spring term meeting.</p> <p><b>Action:</b> Chief Operating Officer to liaise with Director of IT &amp; Data Services to bring an update report to the spring term meeting.</p> <p><i>Insufficient recruitment, or qualification for funding, is realised in each of the main delivery provision types.</i></p> <p>The Chair asked if recruitment and retention challenges are hampering Nescot's ability to recruit students in popular subject areas. The CEO/ Principal acknowledged this is a challenge and set out the reasons. She advised that staff may move to other local colleges which may offer less annual leave and greater contact time but along with higher salaries which are attractive in the current financial climate. The Deputy Principal Curriculum &amp; Quality also pointed out that Ewell is close to London Boroughs where colleges can offer London Weighting. The CEO/ Principal confirmed that market supplements may be offered where appropriate. The Committee noted that an options paper on the use of the additional government funding will be presented to F&amp;GP Committee and then Corporation, who will make the final decision.</p> <p>The Deputy Principal Curriculum &amp; Quality shared some information about a Business Breakfast meeting scheduled for 28<sup>th</sup> November, to enable interested parties to find out more about working with Nescot.</p> <p>The Committee welcomed the risks identified and the credible action plans in place to mitigate them.</p>
<b>b</b>	<b>Risk Management Policy Update</b>
	<p>The Chief Operating Officer summarised the updates to the policy.</p> <p>The Committee approved the Risk Management Policy.</p>
<b>9</b>	<b>Update on Exiting Partnerships</b>
	<p>The Committee welcomed the update and commended the work of all involved to manage the process, minimise the impact and mitigate the risks as far as possible.</p>
<b>10</b>	<b>Health &amp; Safety Report</b>
	<p>The Chief Operating Officer introduced the report and highlighted that she would be working with the Health &amp; Safety Officer to ensure that departments follow up on actions identified by internal risk assessments.</p> <p>Report received.</p>
<b>11</b>	<b>Reportable Items (Fraud / Whistleblowing)</b>
	<p>The Chief Operating Officer advised that there were no incidents of fraud or whistleblowing to report, but updated the Committee on two issues are detailed further in the confidential minutes.</p>



	The CEO/Principal confirmed that the results of the recent staff survey have been shared with the Chair and Vice-Chair of the Corporation and that a summary would be reported to the F&GP Committee and Corporation in December.
<b>12</b>	<b>Any Other Business</b>
	No matters were raised.
<b>13</b>	<b>Confidential Items</b>
	The discussion is contained within a confidential minute.
<b>14</b>	<b>Date &amp; Time of the Next Meeting</b>
	Friday 8 <sup>th</sup> March 2024 at 9 am

The meeting closed at: 10.55 am.

**Decisions:**

- The Committee agreed to appoint a Vice-Chair later in the academic year, when new members have settled in.
- The Committee approved the minutes of the meeting held on 23<sup>rd</sup> June 2023.
- The Committee agreed to recommend that the Corporation approve the Annual Accounts 2022-23.
- The Committee approved the draft Letter of Representation for signature by the Corporation on College letterhead.
- The Committee approved the Audit Committee Annual Report for submission to the Corporation.
- The Committee approved the updated Risk Management Policy.

**Actions:**

- Chief Operating Officer to circulate the ILR Follow-Up report and Commercial Audit report as soon as they are ready.
- MB to share contact details for the Debt Recovery Service at Reigate & Borough Council who may be able to give useful advice and guidance.
- Head of Governance to update the cycle of business to reflect that the Post-16 Audit Code of Practice Regularity Questionnaire should be brought to the summer term meeting in future.
- Head of Governance to share Stone King report about Nescot's subsidiary companies with the Chief Operating Officer.
- A report on cyber-security to be brought to the spring term meeting.