

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

Held on Friday 23rd June 2023 at 9.00 am in Skills Park and via MS Teams

Present: Simon Enoch (Chair), Asa'ah Nkohkwo, Chris Muller, Sean Ahearne.

In Attendance: Julie Kapsalis (CEO/Principal), George Jenkins (Chief Finance Officer), Dario Stevens (Deputy Principal Planning & Information Services), Andy Cowan (Deputy Principal Curriculum & Quality), Sarah Keith (Head of Apprenticeships), Susanne Wicks (Head of Governance).

Mike Cheetham (Internal Auditors RSM).

27.22	Apologies for Absence	
	Apologies for absence were received from Paul Ford.	
28.22	Declaration of Interest	
	The CEO/Principal declared that she is an unremunerated Director of Nescot Enterprises Ltd. (NEL)	
29.22	Minutes of the Previous Meeting and Matters Arising	
	1	The minutes of the meeting held on 17 th March 2023 were agreed as an accurate record.
	2	The confidential minutes of the meeting held on 17 th March 2023 were agreed as an accurate record.
	3	There were no matters arising not otherwise covered on the agenda.
30.22	Internal Audit Reports 2022-23	
	When invited to comment by the Chair, MC advised that overall, the audit reports shared with the Committee demonstrated a positive position, with reasonable progress made on actions identified through audits. He pointed the Committee's attention to the draft annual report shared prior to the meeting and advised that the final opinion would be unqualified.	
	<p><u>Learner Number Systems</u></p> <p>MC introduced this report and stated that area is the key cause for concern, particularly as it could present a high risk to funding in the event of an ESFA audit in the near future, and because it has been the subject of an audit two years running with no significant improvement observed. On behalf of the Committee, the Chair sought reassurance on how this matter would be addressed.</p> <p>The Deputy Principal Curriculum & Quality presented the audit action tracker, in which each action has an assigned owner, date of review, comments on progress and any specific notes or contextual information, and confirmed that work is already underway to address many of the actions.</p> <p>The Head of Apprenticeships explained that there are some students who have been on programme for four years, and it's challenging to find information about them. The old agreements were incorrect, but these</p>	

cannot be changed, although a new agreement has been issued. MC advised that in the event of an audit, the ESFA will look at historic information if they find an anomaly with a current learner, but it's vital to ensure the enrolment systems in place now are correct.

The CEO/Principal acknowledged that there are some things that cannot be changed but sought advice from MC if there is anything further the College could be doing to address the issues identified.

The Head of Apprenticeships advised that the College will revisit its process for initial assessment and off the job planning from 2022/23 and ensure that it is compliant with the 2022/23 funding rules. She confirmed that measures are now in place to ensure that English and Maths assessments are carried out prior to interview and added to the training plan.

The Deputy Principal Curriculum & Quality advised that the Head of Apprenticeships chairs a monthly meeting attended by HoCs from every department, the Head of MIS and which he also attends. Matters discussed are reported to both CMT and ELT. He also reassured the Committee that, from next year, this provision will be included in the College's revised quality monitoring cycle, through which it will be monitored on a six-weekly basis.

MC advised that the issue of off-the-job delivery gave particular cause for concern, with evidence of non-compliance in the records examined. He emphasised the need for the College to show evidence of activity. The Head of Apprenticeships explained that this is partly a historic issue relating to the pandemic, and acknowledged that it would have been better for students in some areas, such as Carpentry, to be put on a break. She added that a number of students on programme have not been active for some time, and set out plans to undertake an exercise to review all historic learners who are continuing or who have completed in 2022/23, to ensure that their off- the-job calculation and plan is sufficient to achieve the 20% minimum requirement, or six hours per week depending on the standard.

The Deputy Principal Curriculum & Quality advised that new software will be in place for the new academic year which will ensure that all information is accessible. The Deputy Principal Planning & Information added that this will be crucial as it will enable the production of KPI and proper oversight of the provision, particularly in terms of off-the-job delivery.

The Chair sought reassurance on how quickly the risks identified could be mitigated, particularly the risk to funding. The CEO/Principal advised that the action tracker would be presented to ELT on a fortnightly basis, so they can oversee progress and to support the Head of Apprenticeships and her team. The Head of Apprenticeships reiterated that there is a problem regarding old contracts, to which many employers will refer, and MC emphasised that, should the ESFA conduct an audit in

	<p>the near future, they must be reassured that the College have fixed the issues for current learners and are making efforts to resolve historic problems. The Head of Apprenticeships confirmed that a note would be added to the file of each student where this applies, and the Deputy Principal, Curriculum & Quality advised that additional resources will be made available to ensure the team have capacity to carry out this work.</p> <p>MC suggested that an EFSA audit may not be imminent and if that's the case, Nescot will have a further year to resolve all issues and for some students to complete their course. The Deputy Principal Planning & Information advised that if it were to happen, an audit would take place in September and notification would be received in the next few weeks, but warned that funding could be removed because of the off-the-job issues previously discussed.</p> <p>The Chair stated that this issue presents significant exposure to risk and encouraged colleagues to address the actions identified as soon as possible. The Head of Apprenticeships advised that work was already underway in terms of checking that all students are on programme and cleansing the data. The Chair suggested that RSM be invited to assess progress made, particularly with regard to historic learners, in October. CM supported this suggestion, and asked that this Committee then meet again in late October, so that Governors can be reassured that progress is being made. The CEO/Principal welcomed both proposals.</p> <p>In terms of procuring the new software, the Chair sought a commitment from senior colleagues to expedite the process. The CFO confirmed that the tender process was moving forward at a pace with a preferred supplier identified, but the challenge was likely to be around implementation, particularly in terms of migrating data and integration with other IT systems.</p> <p>The CEO/Principal advised that at its meeting on 29th June 2023, ELT would review the action tracker in detail and agree to fund additional resources needed during the summer to support the team and the implementation of the new software. She also described her intention to consult with her counterparts in other colleges to seek ideas on how they have addressed some of the issues identified.</p> <p>The Committee welcomed the reassurance from ELT colleagues that action would be taken quickly and effectively.</p> <p>The Committee noted all audit reports presented.</p>
<p>31.22</p>	<p>Internal Audit Plan 2023-24</p>
	<p>MC introduced the Internal Audit Plan and undertook to add the review of progress in addressing actions identified through the audit of Learner Number Systems in October 2023.</p> <p>The CFO advised that ELT had reviewed and agreed the topics proposed for the 23-24 Audit Plan, and welcomed comments from the Committee.</p>

	<p>The Chair expressed some surprise that GDPR had been included in the Plan and the CFO advised that it has not been audited for five years, and this would be a good time to ensure that all appropriate processes are in place, particularly given the imminent changes in personnel in the College. The CEO/Principal added that, whilst no issues for concern have been identified, the College would be keen to receive any useful learning and best practice.</p> <p>The Committee agreed to recommend the 2023-24 Plan for approval by the Corporation at their meeting on 7th July 2023.</p>
32.22	Financial Statements External Audit Strategy 2023
	<p>The CFO presented the External Audit Strategy 2023, which summarised the auditor’s approach to the audit of the College’s financial statements for the year ending 31 July 2023.</p> <p>The Committee agreed to recommend the Strategy for approval by the Corporation at their meeting on 7th July 2023.</p>
33.22	Re-appointment of Macintyre Hudson as External Auditor for year-end 2022-23
	<p>The CFO sought the Committee’s approval to re-appoint Macintyre Hudson (now named MHA) for a further year, but flagged that they have been Nescot’s auditor for more than a decade, so a tender process should be undertaken in the near future, ideally in autumn 2023. The Committee noted that, due to challenges in recruitment and retention in the sector, there may not be a high level of interest from auditors. The CFO encouraged the Committee to consider what kind of auditor they would like and the Chair and SA agreed that Tier 2 would be appropriate.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To reappoint MHA as External Auditor for year-end 2022-23. 2. That a tender process for an external auditor should take place in the new academic year.

34.22	Risk Management and Assurance Framework	
	1	<p><u>Updated Strategic Risk Register</u></p> <p>The CFO presented the revised and reformatted risk register which had been subject to extensive consultation and input by ELT. He highlighted the three High risks, two of which are related to IT and are likely to remain in that category, and one around recruitment and retention, which is an challenge for the sector generally, but is also particularly relevant at this time due to the institutional review.</p> <p>The Chair noted that some of the Medium risks could be deemed sub-categories of the High risks. He highlighted the need to monitor the risks carefully around finance, particularly in the context of changes to ELT in the near future.</p> <p>The Committee welcomed the new format.</p>
	2	<p><u>Nescot Assurance Map</u></p> <p>Received.</p>
35.22	Health & Safety Report	
	<p>The CFO presented the report and advised that there were no serious issues to report. However, he reported that a visitor had fallen over during an event in the Refectory and had submitted an insurance claim. He reassured the Committee that appropriate steps would be put in place to ensure the safety of visitors to the site.</p>	
36.22	Reportable Items – Fraud/Whistleblowing	
	<p>The CFO confirmed there was nothing to report.</p>	
37.22	Committee Governance	
	1	<p><u>Annual Cycle of Business 23-24</u></p> <p>The Committee reviewed and approved the updated cycle of business for 2023-24.</p>
	2	<p><u>Committee Terms of Reference</u></p> <p>The Committee reviewed the revised terms of reference and agreed to recommend them to the Corporation for approval.</p>
38.22	Audit Guidance Documents	
	<p>The CFO introduced his report and advised that there were no major changes in either document. He noted that the reclassification of FE colleges to public sector bodies was a significant change to the sector but has not greatly affected Nescot as there are no borrowing arrangements in place. MC suggested that further changes may emerge in the future, with the sector pushing back strongly on any proposal to change the financial year-end to 31st March.</p>	
39.22	Any Other Business	

	<p><u>Budget 2023-24</u></p> <p>The CFO gave a headline summary of the draft budget 2023-24 which would be presented in detail to the Finance & General Purposes Committee on 30th June and Corporation on 7th July. He advised that the deficit had been partially addressed by the institutional review and would be further offset by additional funding and growth in the HE provision.</p> <p>The Committee noted that the plan to address the deficit over 2-3 years was on track, and were reassured by the CEO/Principal that it would be further reduced by both efficiencies and growth.</p> <p>AN noted the imminent changes to ELT personnel and asked the CEO/Principal if she and her team were comfortable with the level of change. The CEO/Principal acknowledged that the need to achieve savings was a key driver, but advised that she had always planned to review the leadership and management structure to ensure it was appropriate for the size of the College and to ensure that as much funding as possible was kept close to the learner.</p> <p>The CEO/Principal gave details of interviews of key personnel to take place in June, expressing confidence in the quality of applicants. She recognised the challenge presented by staff leaving, but also described the benefits of new talent joining the team, and expressed the view that the future of Nescot was positive.</p>
<p>40.22</p>	<p>Confidential Items</p>
	<p>No items were deemed confidential.</p>
<p>41.22</p>	<p>Date & Time of the Next Meeting</p>
	<p>A further meeting would be arranged for late October 2023.</p> <p>The next scheduled meeting would be held on Friday 24th November 2023 at 9.00am.</p>

The meeting closed at: 10.30 am

Decisions:

- The Committee approved the minutes of the meeting held on 2nd December 2022.
- The Committee approved the Internal Audit Plan for 2023-24, subject to the addition of a review on progress of actions identified through the audit of Learner Number Systems.
- The Committee approved the External Audit Strategy for the financial statements for the year ending 31st July 2023.
- The Committee agreed to reappoint Macintyre Hudson as External Auditor for year-end 2022-23.
- The Committee agreed that a tender process for an external auditor should take place in the new academic year.



- The Committee approved the Cycle of Business for 2023-24.
- The Committee agreed to recommend that the Corporation approve the Terms of Reference.

Actions:

- RSM to carry out a review in October 2023 of progress of addressing actions identified through the audit of Learner Number Systems.
- The Audit Committee to meet in late October 2023 to receive the findings of the RSM review.