

## Agreed Minutes

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**Held on Monday 12<sup>th</sup> July at 9.00am in Skills Park Committee Room B and via MS Teams**

Present: Simon Enoch (Chair), Lamè Verre, Asa'ah Nkohkwo

In Attendance: Frances Rutter (CEO/Principal), Maria Vetrone (Deputy Principal Finance & Resources, Mike Cheetham (Internal Auditors RSM) (left at 10.00am), Lorna Raynes (Internal Auditors RSM), Sandra Dessent (Clerk to the Governors)

Observer: Graeme Hodge (Staff Support Governor)

<b>24.20</b>	<b>1.0 Apologies for Absence</b>
	Apologies for absence were received from Lynn Reddick.
<b>25.20</b>	<b>2.0 Declaration of Interests</b>
	No declarations of interest were received regarding items on the agenda.
<b>26.20</b>	<b>3.0 Minutes of the Previous Meeting and Matters arising</b>
	<p>The minutes of the meeting held on 12<sup>th</sup> March 2021 were agreed as a true record and signed by the Chair.</p> <p>There were no matters arising from the previous meeting.</p> <p>The Chair introduced and welcomed a new member, Asa'ah Nkohkwo to the Committee.</p> <p>It was also noted that Lynn Reddick had temporarily stepped down from the Committee due to heavy commitments and would advise when circumstances changed. It was confirmed that in accordance with the Terms of Reference the membership should consist of at least 3 members of the Corporation and the meeting was quorate with 2 members, so her absence did not impact the running of the Committee.</p>
<b>27.20</b>	<b>4.0 Internal Audit Reports 2020/21</b>
	<p>The Internal Auditors presented their findings for the 2020/21 internal audits as follows:</p> <p><u>4.1 Learner Number Systems</u></p> <p>The report raised one high (regarding the validation of apprenticeship agreements), seven medium and five low priority recommendations and concluded that there were several exceptions where NESCOL had not complied with the Funding Rules. This had resulted in errors in the funding being claimed.</p> <p>The Committee was assured that the high and medium recommendations were receiving immediate management attention.</p>

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The importance of the paperwork outstanding being completed before the September intake of students was emphasised and assurance was given that the recommendations would be implemented before the start of the new academic year.

It was noted that the Vice Principal was monitoring the outcomes through the management information systems and a comprehensive review around the complex enrolment issues was being undertaken.

#### 5.2 Key Financial Controls

Substantial assurance was received with one medium and one low recommendation. The report concluded that there was a lack of formal operating procedures to ensure consistency when carrying out financial activities and instances of nonconformity with the control framework regarding procurement and purchasing activity.

It was reported that the issues had been discussed with the Senior Management Team and those who regularly demonstrate non-compliance were being identified for retraining.

#### 5.3 Governance

Reasonable assurance was received, and the report raised six medium and three low priority recommendations. The report concluded that the controls upon which the organisation relies to manage this area are suitably designed and consistently applied. However, issues were identified in the control framework to ensure effective management of Governance.

The Chair emphasised the obligation to ensure that the Corporation receive all the applicable papers in a timely manner and that all the relevant issues that impact effective governance were discussed with the Board, in particular succession planning.

The progress to date was discussed and the Clerk reported that the core groundwork would be presented to the Board in July 2021, and the external Board review, along with the audit recommendations, would prompt an action plan and timetable for an effective governance strategy for 2021/22.

#### 5.4 Apprenticeship Report

The Committee was informed that a draft report had been submitted which had been discussed by the Executive Leadership Team and final comments were awaited prior to agreeing management actions. Once received, they would be synthesised into an action plan to be fed into a working group with responsibility for developing a strategy. It was acknowledged that there was still a lot of work to do to produce an effective plan.

It was reiterated that this was a key area of the business, and it was subsequently agreed to set up a meeting in late September for the Committee to consider the apprenticeship internal audit report and to discuss recommendations prior to presenting to Corporation.

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### 5.5 IT Strategy Follow Up

The internal audit report confirmed that the College's IT Strategic Plan 2021-25 was in draft form at the time of their follow up, which included the recommended areas with the expected details. It was confirmed that 13 out of the original 17 recommended actions had been completed. The report concluded that NESCOL had made good progress in implementing agreed management actions.

It was noted that the IT Strategic Plan included a resourcing plan, with a recommendation to focus on training and development in the coming year. It was confirmed that the 2021/22 budget included sufficient funds to resource the staffing proposals.

### 5.6/5.7 Subcontracting Controls ESFA/GLA

The audit reports for the ESFA and GLA covered subcontracting controls in 2020/21 and provided assurance that the College's subcontracted provision was being effectively managed and controlled. One management action relating to a declaration made to the ESFA had been implemented.

### 5.8 Follow Up

The Internal Auditors reported that good progress had been made in implementing the agreed management actions and highlighted that 50% of the management actions had been completed or superseded.

The Chair thanked all those involved with implementing the recommendations for their efforts.

### 5.9 Progress Report July 2021

The internal audit plan for 2020/21 had been approved by the Audit Committee in July 2020. Developments around Covid-19 had continued to impact all areas and the Auditors had committed to work closely with management to deliver an internal audit programme which was flexible and agile.

The following assignments were outstanding:

- Staff deployment: The review had been deferred to 2021/22 to allow auditors to undertake the review on site.
- HE Date Audit: To be completed by the end of August 2021 and it was noted this was agreed with the OfS.
- Health Check (free of charge): The Auditors were discussing with management to ascertain if this audit was still required.

Regarding the subcontracting controls reports, it was agreed that subcontracting would continue to be a focus for the ESFA, and it was therefore important to ensure that the College be rigorous in maintaining their controls and compliance with statutory requirements.

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<b>28.20</b>	<b>6.0 Management Follow Up</b>																		
	<p><u>6.1 NESCOL Follow Up Schedule</u></p> <p>The report included follow up of internal audit recommendations from previous years including 2020/21, and it was noted that all audit recommendations had been implemented or superseded and worksheets closed for all years, with the exception of 2019/20 (14 out of 16 implemented) and 2020/21 (3 out of 29 implemented).</p> <p>The Committee was assured that the outstanding recommendations would continue to be pursued in accordance with the timelines set out in the detailed Follow Up schedule which was attached to the report.</p> <p><u>6.2 IT Strategy Review 2081/19 – Follow Up</u></p> <p>The report included details of the recommendations that had been implemented to date and reported one area of slippage relating to the installation of CCTV for which the completion date had been revised to July 2021.</p> <p>It was noted that a lot of the work reported in the management schedule had been superseded and therefore the remaining recommendations would be reported through the internal audit Follow Up report.</p>																		
<b>29.20</b>	<b>7.0 Internal Audit Plan 2021/22</b>																		
	<p>A plan for 2021/22 had been proposed as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9e1f2;">Audit area</th> <th style="background-color: #d9e1f2;">Approx. no of audit days</th> </tr> </thead> <tbody> <tr> <td>Student Journey &amp; Experience</td> <td style="text-align: center;">7</td> </tr> <tr> <td>Satellite Centre Direct Delivery Arrangements</td> <td style="text-align: center;">5.5</td> </tr> <tr> <td>Staff Deployment</td> <td style="text-align: center;">5.5</td> </tr> <tr> <td>Learner Number Systems</td> <td style="text-align: center;">6.5</td> </tr> <tr> <td>Key Financial Controls</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Follow Up</td> <td style="text-align: center;">2.5</td> </tr> <tr> <td>Audit Management</td> <td style="text-align: center;">11</td> </tr> <tr> <td style="background-color: #d9e1f2;"><b>Total audit days</b></td> <td style="background-color: #d9e1f2; text-align: center;"><b>43</b></td> </tr> </tbody> </table> <p>The total cost £27,090.00 (excluding VAT) and a daily rate of £630.00</p> <p>It was confirmed that the proposed plan aligned with the College's Strategic Risk Register and was considered to be sufficient for management and Audit Committee purposes.</p> <p>The crossover of internal and external auditor's work was discussed, and it was established that the internal auditors may contact the external auditors to ensure that work wasn't being duplicated, however the external auditors were not going to rely on work from internal audit.</p>	Audit area	Approx. no of audit days	Student Journey & Experience	7	Satellite Centre Direct Delivery Arrangements	5.5	Staff Deployment	5.5	Learner Number Systems	6.5	Key Financial Controls	5	Follow Up	2.5	Audit Management	11	<b>Total audit days</b>	<b>43</b>
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	Following discussion, the Audit Committee unanimously agreed to approve the Internal Audit Plan for 2021/22.
<b>30.20</b>	<b>8.0 Financial Statement Audit Strategy 2021</b>
	<p>The Committee was presented with the Financial Audit Statement Audit Strategy from the external Auditors, MacIntyre Hudson.</p> <p>It was anticipated an overall financial statements materiality of £350,000 (1% of turnover), based on the 2021 projected outturn, and misstatements found in excess of £17,500 will be reported (5% of materiality).</p> <p>The Financial Statements Audit Strategy 2021 was considered to be sufficient for the management and Audit Committee purposes and complied with the requirements under the International Standards on Auditing (UK).</p> <p>Having discussed the proposal, the Committee unanimously agreed to approve the Financial Statements Audit Strategy 2021.</p>
<b>31.20</b>	<b>9.0 Risk Management &amp; Assurance Framework</b>
	<p><u>9.1/9.2 Strategic and Covid Risk Registers</u></p> <p>The updated Strategic and Covid-19 Risk Registers were presented to the Committee with the changes in risk and mitigating actions highlighted. The accompanying report summarised the 27 risks (no change from the previous report) and detailed the mitigating actions for the 5 significant risks. It also included an updated vulnerability and threats analysis, the number of which had decreased due to the implementation of IT recommendations.</p> <p>The registers were discussed, and it was concluded that the net risk profile continued to include significant and high risks in a volatile and changing sector environment overlaid with the challenges and impact of Covid-19.</p> <p><u>9.3 Assurance Map</u></p> <p>The Committee received an updated Assurance Map (as at June 2021), and a report which concluded that the assurance levels for 24 out of 27 of the strategic risks were high and therefore the Committee could continue to take a high level of assurance and confidence from the College's assurance framework and risk management processes.</p> <p>It was noted that the Principal had recently discussed with other FE college representatives how they dealt with risk and concluded that NESOT had excellent and comprehensive reporting processes compared to other Colleges in the sector.</p> <p>The Principal thanked the Deputy Principal (Finance &amp; General Purposes) for her hard work in producing the registers and assurance, which contained key information for Governors and was particularly useful for new Governors.</p>

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<b>32.20</b>	<b>10.0 Audit Guidance Documents</b>
	<p><u>10.1 Post-16 Audit Code of Practice 2020/21</u></p> <p>The Post-16 Audit Code of Practice (published in March 2021) was relevant to the accounting period ending on or after 1 August 2020, which meant that the guidance was to be applied retrospectively for year ending 31 July 2021.</p> <p>The Committee received the Code of Practice and a covering report which set out the key changes from the previous version. It also set out some of the characteristics of providers where the ESFA have identified regularity concerns which related in the main to College governance and management systems.</p> <p>In summary the major changes were focused around:</p> <ul style="list-style-type: none"> <li>• The role and skill set of the Audit Committee to ensure its effectiveness</li> <li>• The role of the external auditor</li> <li>• The requirement to provide external audit assurance over funds earned by the College in the annual financial statements</li> <li>• The requirement for the external auditor to present their management letter to Corporation annually as well as to the Audit Committee.</li> </ul> <p>It was noted that the external auditors had agreed to present their audit reports to both Audit Committee and the Corporation Board in December 2021.</p> <p><u>10.2 ESFA College Accounts Direction</u></p> <p>The Committee received the ESFA College Accounts Direction issued in March 2021, along with a report outlining the changes from the previous year, which were mostly around new disclosure requirements for the 2020/21 financial statements, in particular around pensions.</p> <p>It was noted that the final accounts for 2020/21 will need to be submitted by 31<sup>st</sup> December 2021.</p>
<b>33.20</b>	<b>11.0 Health &amp; Safety</b>
	<p>The Committee received the Health &amp; Safety Report (June 2021), which set out accidents and incidents and measures in place to ensure compliance in a Covid-19 environment.</p> <p>It also included details of a spot check call from the Health &amp; Safety Executive. The College provided sufficient information to demonstrate that robust procedures and processes were in place, and it was not envisaged that the Health &amp; Safety Executive would undertake a follow-up site visit.</p>
<b>34.20</b>	<b>12.0 Terms of Reference Review</b>
	<p>The Committee was presented with a track-changed copy of the Terms of Reference, along with a report outlining the proposed changes, all of</p>

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	<p>which had been made in line with the AoC Code of Good Governance, internal audit recommendations and the Audit Code of Practice.</p> <p>Having discussed and considered the changes the Committee agreed to recommend the updated Audit Committee Terms of Reference to Corporation for approval.</p>
<b>35.20</b>	<b>13.0 Annual Cycle of Business</b>
	<p>The Clerk shared the proposed cycle of business for 2021/22 which was discussed in view of the agreement earlier in the meeting to add an additional meeting at the end of September. It was agreed that the focus of the December meeting should be the Annual Report and Financial statements and that the updates from the September meeting would help in the preparation of the December meeting.</p> <p>It was subsequently agreed to amend the Annual Cycle of Business and present it at the next Committee meeting in September.</p>
<b>36.20</b>	<b>14.0 Fraud Statement</b>
	<p>The Committee was informed that no incidents had been identified since the last update.</p>
<b>37.20</b>	<b>15.0 Any Other Business</b>
	<p>There being no other business the meeting concluded at 10.40am</p>
<b>38.20</b>	<b>16.0 Date and Time of the Next Meeting: Friday 1<sup>st</sup> October at 9.00am (to be confirmed)</b>

### Decisions:

1. Unanimously agreed to accept the Internal Audit Plan 2021/22
2. Unanimously agreed to accept the Financial Statements Audit Strategy 2021.
3. Unanimously agreed to recommend the updated Terms of Reference to the Corporation for approval.

### Actions:

1. Clerk to arrange additional meeting in the early Autumn Term (***Postscript: Friday 1<sup>st</sup> October 2021 at 9.00am has been proposed***).
2. Annual Cycle of Business for 2021/22 to be amended to include additional meeting and presented to the Committee at the next meeting.