

## Agreed Minutes

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**Held on Friday 3<sup>rd</sup> December 2021 at 9.00am in Skills Park Board Room and via MS Teams**

Present: Simon Enoch (Chair), Asa'ah Nkohkwo, Vince Romagnuolo, Lamé Verre

In Attendance: Mark Eagle (External Auditors MacIntyre Hudson), Mike Cheetham (Internal Auditors RSM), Frances Rutter (CEO/Principal), Maria Vetrone (Deputy Principal Finance & Resources), Cliff Shaw (Deputy Principal Curriculum & Quality), Sandra Dessent (Governance Professional)

|              |   |
|--------------|---|
| <b>7.21</b>  | <b>1.0 Apologies for Absence</b>  |
|              | No apologies for absence were received.   |
| <b>8.21</b>  | <b>2.0 Declaration of Interest</b>  |
|              | The following declaration of interests were received:<br><u>Frances Rutter</u> : Unremunerated Director of NESCOT Enterprises Ltd. (NEL)<br><u>Sandra Dessent</u> : Salaried employee of NESCOT Enterprises Ltd. (NEL).   |
| <b>9.21</b>  | <b>3.0 Minutes of the Previous Meeting and Matters Arising</b>  |
|              | The Minutes of the meeting held on the 1 <sup>st</sup> October 2021 were agreed and signed electronically by the Chair.<br>Matters Arising:<br><b>The Clerk to arrange for Internal Auditors RSM to present to Corporation in Spring Term 2022.</b><br>Ongoing – A date is still to be agreed.  |
| <b>10.21</b> | <b>4.0 Draft Annual Report &amp; Financial Statements for 2020/21</b>   |
|              | The Committee received the Draft Annual Report and Financial Statements 2020/21 and Covering Report and was informed that the Finance & General Purposes Committee had previously reviewed the document and suggested amendments (as detailed in the minutes of 26 <sup>th</sup> November), which would be implemented following the Audit Committee meeting together with the amendments agreed at the meeting. The final draft would then be presented to Corporation on 9 <sup>th</sup> December for approval and signature by the Chair of Corporation and the CEO/Principal.<br>The Committee reviewed the document and raised the following points: |

## Agreed Minutes

|  |  |   |
|--|--|---|
|  | College income recorded as greater than Group income | Due to the staffing services supplied by NEL being recharged to the College at a profit and the mark-up received by NEL and the excess paid by the College were eliminated in the Group accounts in the consolidation process.  |
|  | NEL Gift Aiding profit to NESCOT                     | It was noted that at the meeting of the NEL Board on 24 <sup>th</sup> November it was agreed that the profits from NEL would be gift-aided to NESCOT from the 2020/21 financial year and that in order for the gift-aiding process to be an ongoing agreement a deed of covenant would be required. |
|  | Page 22 Going Concern                                | The Committee agreed the narrative and requested that going forward a separate report be prepared that emphasises the main points and context for this important section of the Financial Statement.  |
|  | Page 28 Streamlined energy and carbon reporting      | This was reported as a new area in the statement and it was recognised that for 2021/22 it was an important area to monitor, and the focus should be data collection.   |
|  | Page 34 Gender pay gap                               | It was confirmed that the latest data had been used in the report and that the Director of HR would report any agreed management actions on the context of the gender pay gap.  |
| <p>Having reviewed the Draft Financial Statements and Annual Report 2020/21, the Committee agreed to recommend the approval to Corporation subject to the amendments agreed at the meeting and those of the Finance &amp; General Purposes Committee.</p> <p><u>4.2 Draft Management Letter and Letter of Representation 2020/21</u></p> <p>The External Auditors presented the Management letter and Letter of Representation 2020/21 and confirmed the following:</p> <ul style="list-style-type: none"> <li>• an <b>unqualified opinion</b> in respect of the financial statements will be issued;</li> <li>• there were no material weaknesses in the accounting and internal control systems identified during the course of the audit;</li> <li>• the College’s financial statements for the period under review meet the regularity requirements set by the relevant funding body;</li> <li>• no inappropriate accounting policies or practices were identified;</li> <li>• no instance of fraud or irregularity were found;</li> </ul> |  |   |

## Agreed Minutes

|              |  |
|--------------|--|
|              | <ul style="list-style-type: none"> <li>• no areas were identified where the College had not complied with laws and regulations; and</li> <li>• there are no other relevant matters to draw to the Corporation’s attention other than those included in the Management Letter.</li> </ul> <p>One control point was raised regarding the establishment of a process and agreement for gift aid payments to be made from NESCOL Enterprises to the College. This was discussed and agreed at the meeting of the NEL Board on 24<sup>th</sup> November 2021.</p> <p>The Committee considered and agreed the draft Management Letter and Letter of Representation with the additional paragraph (no 27) which had been included at the request of the Finance &amp; General Purposes Committee relating to the potential clawback from the ESFA.</p> <p><u>4.3 Post-16 Audit Code of Practice Regularity Questionnaire</u></p> <p>The Deputy Principal (Finance &amp; Resources) presented the final signed document and confirmed there were no major changes compared to the previous year but noted the additional questions regarding the College’s management arrangements relating to Covid-19, in particular around the application of Covid-19 related funding.</p> <p>The questionnaire had been reviewed by the External Auditors and it was confirmed that the College had reported compliance for all questions raised.</p> |
| <b>11.21</b> | <b>5.0 Annual Reports</b>  |
|              | <p><u>5.1 Internal Audit Report 2020/21</u></p> <p>The Head of the Internal Auditors presented the Internal Audit Report detailing the Audit Plan which had been agreed and delivered for 2020/21, and concluded:</p> <p><i>‘The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.’</i></p> <p><u>5.2 Draft Annual Report of the Audit Committee</u></p> <p>The Governance Professional presented the Audit Committee Report which included a summary of the work undertaken by the Committee during 2020/21 and the Committee’s view of its own effectiveness and that of the Corporation’s assurance arrangements, governance framework and risk management.</p> <p>The report concluded that subject to the issues identified by the Internal and External Auditors being addressed, the Audit Committee was able to</p>  |

## Agreed Minutes

|                        | <p>give substantial assurance about the adequacy and effectiveness of the College's audit arrangements.</p> <p>Accordingly, the Committee agreed to recommend the report to Corporation for approval.</p>  |               |      |        |              |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
|------------------------|--|---------------|------|--------|--------------|-------|--------------|------------|---|---|---|---|---|------------------------|---|---|---|---|---|------------------------|---|---|---|----|----|
| <b>12.21</b>           | <b>6.0 Internal Audit &amp; Other Reports</b>  |               |      |        |              |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
|                        | <p><u>6.1 HE Data and OfS Follow Up</u></p> <p>The review had been requested as part of the College's response to an Office for Students (OfS) evaluation of the College's data quality.</p> <p>A sample of 60 learners was examined by the Internal Auditors and resulted in 13 recommended management actions, two high, four medium and seven low risk.</p> <p>It was noted that the College continued to work on implementing the outstanding recommendations.</p> <p><u>6.2 ASTML Learner Authenticity Audit</u></p> <p>The purpose of the audit was to provide the Audit Committee and the Corporation with independent assurances regarding the authenticity of the student body of the College's direct delivery satellite centres.</p> <p>97% of the student records that were examined could be validated against external data sources. For the remaining 3% a record could not be found in the Student Loan Company or Advanced Learner Loan portals.</p> <p>The outcomes from the audit demonstrated that the College had an effective process in place to check the authenticity of learner information prior to their data being recorded on the ILR.</p> <p>Both internal audit reports were taken as read by the Committee.</p> |               |      |        |              |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
| <b>13.21</b>           | <b>7.0 Follow Up Schedule</b>  |               |      |        |              |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
|                        | <p><u>7.1 NESCOL Follow up Schedule</u></p> <p>The Committee received a report setting out progress in the implementation of internal audit recommendations. A summary of the progress is as follows:</p> <table border="1" data-bbox="338 1787 1385 2018"> <thead> <tr> <th>Audit 2020-21</th> <th>High</th> <th>Medium</th> <th>Low</th> <th>Total</th> <th>Imple-mented</th> </tr> </thead> <tbody> <tr> <td>Governance</td> <td>0</td> <td>6</td> <td>3</td> <td>9</td> <td>9</td> </tr> <tr> <td>Key Financial Controls</td> <td>0</td> <td>1</td> <td>1</td> <td>2</td> <td>1</td> </tr> <tr> <td>Learner Number Systems</td> <td>1</td> <td>7</td> <td>5</td> <td>13</td> <td>10</td> </tr> </tbody> </table>   | Audit 2020-21 | High | Medium | Low          | Total | Imple-mented | Governance | 0 | 6 | 3 | 9 | 9 | Key Financial Controls | 0 | 1 | 1 | 2 | 1 | Learner Number Systems | 1 | 7 | 5 | 13 | 10 |
| Audit 2020-21          | High   | Medium        | Low  | Total  | Imple-mented |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
| Governance             | 0  | 6             | 3    | 9      | 9            |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
| Key Financial Controls | 0  | 1             | 1    | 2      | 1            |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |
| Learner Number Systems | 1  | 7             | 5    | 13     | 10           |       |              |            |   |   |   |   |   |                        |   |   |   |   |   |                        |   |   |   |    |    |

### Agreed Minutes

|                         |                 |           |           |           |           |
|-------------------------|-----------------|-----------|-----------|-----------|-----------|
| IT Follow Up            | 0               | 4         | 1         | 5         | 4         |
| <b>Total</b>            | <b>1</b>        | <b>18</b> | <b>10</b> | <b>29</b> | <b>24</b> |
| Subcontracting Controls | Not categorised |           |           | 1         | 1         |
| HE Data – OfS Follow Up | Not categorised |           |           | 13        |           |
| Apprenticeship Support  | Not categorised |           |           | 20        |           |

The Committee noted the progress.

### 14.21 8.0 Risk Management

#### 8.1 Risk Management Policy Update

The Committee received an updated Risk Management Policy and was informed that the only difference from the previous version was the changes to membership of the Risk Management Action Group (RMAG).

It was therefore concluded that the College was confident that the Policy was aligned with industry and sector best practices and is implemented accordingly.

#### 8.2 Strategic Risk Register

The Committee received the updated Risk Register and covering report that highlighted all the changes in narrative and classification of risks, all of which had been discussed and agreed by the Senior Management Team. 26 risks had been identified, six of which were categorised as 'significant' and four 'high'.

The Committee, having reviewed the register, requested further detail of the actions being taken to mitigate the risks in relation to the achievement of quality standards for the satellite centre provision, in particular the risk associated with the failure to achieve minimum quality standards of satellite centre provision with ASTML.

Therefore, the Deputy Principal (Curriculum & Quality) attended the Committee to explain the context surrounding the quality issues and the proposed actions to improve the standards.

It was established that the quality monitoring process had been adversely impacted as a result of the Covid-19 restrictions, during which time communication with students had been restricted and emerging problems had not been detected.

The Committee questioned the quality management processes and accountability framework in order to establish the root cause of the problems and the differences between staff practices for satellite centres

## Agreed Minutes

|              |   |
|--------------|---|
|              | <p>compared to on-site students. This would then determine the likelihood of the issues being naturally resolved once Covid restrictions were lifted.</p> <p>It was recognised that the emphasis had been on resolving the quality issues associated with existing students and that an overarching strategy to mitigate the risk of further occurrence had not been established.</p> <p>However, it was noted that the deadline had been set for all relevant student resubmissions to be completed in January.</p> <p>It was therefore agreed that the Chair of Audit would report the Committee's observations to Corporation and the outcomes of the resubmissions would inform a strategy for the management of satellite sites going forward, that in turn would be considered by the Corporation.</p> <p><u>8.3 Assurance Map</u></p> <p>The Assurance Map provided the College with an improved ability to understand and confirm that it has assurance over key controls and the management of risk, or where control gaps exist and whether actions are in place to address these gaps.</p> <p>The report was noted, and the Committee were confident that assurance levels were 'High' for 24 of 26 strategic risks (24 of 27 at the last report to the Audit Committee).</p> <p><u>8.4 Covid Risk Register</u></p> <p>The Covid Risk Register was received and duly noted by the Committee.</p> |
| <b>15.21</b> | <b>9.0 Health &amp; Safety Report</b>   |
|              | The Committee received the Health & Safety Committee Report (November 2021) which included a summary of the risks associated with the impact of Covid-19, which was taken as read.  |
| <b>16.21</b> | <b>10.0 Fraud Report</b>  |
|              | The Committee was informed that no incidents had been identified since the last update.   |
| <b>17.21</b> | <b>11.0 Internal Audit Assessment</b>   |
|              | In accordance with the Post-16 Audit Code of Practice the Committee received a report assessing the effectiveness of the Internal Auditors' performance and concluded that RSM continued to provide a high-quality service to the College with excellent feedback from the College staff and generally from across the sector. Whilst their fees were considered to be at the higher end of the market, they provided value for money, and quality services.  |
| <b>18.21</b> | <b>12.0 External Audit Assessment</b>   |

### Agreed Minutes

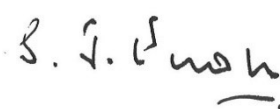
|              |   |
|--------------|---|
|              | In accordance with the Post-16 Audit Code of Practice the Committee received a report assessing the effectiveness of the External Auditors' performance. It was concluded that they provided a high-quality audit provision. Benchmarking suggested that their services were cost effective and at the lower end of the price benchmark.  |
| <b>19.21</b> | <b>13.0 Any Other Business</b>  |
|              | Being her final meeting, the Chair thanked the Deputy Principal (Finance & Resources) on behalf of the Committee for her hard work and outstanding service, and wished her every success in her new role<br><br>In response the Deputy Principal thanked the Chair and the Committee for their support and conveyed her pleasure to have worked with them.<br><br>There being no further business the meeting concluded at 11.25am. |
| <b>20.21</b> | <b>14.0 Date &amp; Time of the Next Meeting</b>   |
|              | The next meeting will be held on Friday 11 <sup>th</sup> March 2022 at 9.00am.  |

### Decisions:

1. Agreed to recommend the approval of the Financial Statements and Annual Report 2020/21 to Corporation subject to the amendments agreed at the meeting and those of the Finance & General Purposes Committee.
2. Agreed the draft Management letter and Letter of Representation with the additional paragraph (no 27) which had been included at the request of the Finance & General Purposes Committee relating to the potential clawback from the ESFA.
3. Agreed to recommend the draft Annual Report of the Audit Committee to Corporation for approval.

### Actions:

1. Report the Committee's observations to Corporation relating to the assessment of actions in place to mitigate quality standard risks associated with the direct provision provided by the satellite sites.

Signed 

Date 11.03.2022

**Simon Enoch, Chair of Audit Committee**