

## Approved Minutes

### MINUTES OF THE AUDIT COMMITTEE

**Held on Monday 11<sup>th</sup> July 2022, at 9.00am in Skills Park Committee Room B and via MS Teams**

Present: Simon Enoch (Chair), Asa-ah Nkohkwo, Paul Ford, Vince Romagnuolo

In Attendance: Frances Rutter (CEO/Principal), George Jenkins (Chief Finance Officer), Dario Stevens (Deputy Principal Planning & Information), Phil Briscoe (Deputy Principal Curriculum & Quality) (Part), Lorna Raynes (RSM Internal Auditors), Emma Gipson (RSM Internal Auditors) Sandra Dessent (Governance Professional)

Observer: Sylvia Ofei-Kwatia (Support Staff Governor)

<b>31.21</b>	<b>1.0 Apologies for Absence</b>
	No apologies for absence were received
<b>32.21</b>	<b>2.0 Declarations of Interest</b>
	The following declarations of interest were received <u>Frances Rutter</u> : Unremunerated Director of NEL (Nescot Enterprises Ltd.) <u>Sandra Dessent</u> : Employee and Company Secretary of NEL (Nescot Enterprises Ltd.)
<b>33.21</b>	<b>3.0 Minutes of the Previous Meeting and Matters Arising</b>
	The minutes of the meeting held on 11 <sup>th</sup> March were agreed as true record. The matters arising were as follows:
	<b>Chief Finance Officer to provide regular updates on discussions with the ESFA/External Auditors on the mechanisms for reporting the GB Training settlement</b> Ongoing – it has been agreed that it will be recorded as a bad debt in the 22/23 forecast. Narrative for Annual Report and Financial Statements to be agreed with External Auditors
	<b>Chief Finance Officer to liaise with Asa’ah Nkohkwo to discuss Head of Health, Safety and Security recruitment.</b> Action complete – appointment has been made
	<b>Chief Finance Officer to report to Committee any adjustments made to the finance management system.</b> Ongoing – no adjustments have been made since the previous meeting

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	<p><b>Chief Finance Officer to liaise with the Chair and Governance Professional regarding the submission of audit reports and the scheduling of an additional committee meeting if necessary</b></p> <p>A provisional date had been included in the 22/23 Corporate Calendar of 30<sup>th</sup> September at 9.00am which was agreed to make definite, to discuss the progress with management actions.</p>
34.21	<p><b>4.0 Internal Audit Reports</b></p>
	<p><u>4.0 – Cover Sheet Internal Audit Reports</u></p> <p>The Chief Finance Officer presented a summary paper of the completed audits detailing the assurance levels of audits completed in 21/22.</p> <p>The audits were then discussed in detail as follows:</p> <p><u>4.1 Learner Number Systems</u></p> <p>This was an advisory report with 5 low, 10 medium and 12 high priority recommendations for action. The report concluded that if the recommendations were not implemented/rectified, it could lead to an error in funding being claimed.</p> <p>The high-risk recommendations were mainly attributed to apprenticeship provision for the 2020/21 and 2021/22 funding years in particular the Plumbing and Electrical pathways. It was reported that the problems were ascribed to a lack of resources and difficulty in recruiting. The importance of the new CRM system was emphasised, and it was noted that it wouldn't be in place for the new intake in September, however the existing system was sufficient in the short term.</p> <p>The Deputy Principal presented an action plan which rag rated the issues and detailed the mitigating actions to date. The Committee discussed the recommendations, and the Chair summarised the main issue as being accurate data inputting and stressed that a clear message to staff should be reinforced highlighting the reputational and financial risk to the College. It was also acknowledged that this was a cultural issue, which needed a holistic whole college approach.</p> <p>There were two stages to rectifying the issues, correcting the retrospective paperwork and ensuring that going forward all data entry was accurate at point of input.</p> <p>The Executive leadership team informed the Committee that the necessary resources were being embedded and that once the action plan had been implemented, they were confident of a good level of assurance going forward.</p> <p>It was agreed that a meeting would be scheduled for 30<sup>th</sup> September to discuss the progress of the management action plan.</p> <p><u>4.3 Teaching &amp; Staff Deployment</u></p>

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<p>The audit outcome was reasonable assurance and concluded that the College sufficiently embeds staff utilisation into its management reporting and monitoring processes. Recommendations were raised as to how changes to deployment were monitored throughout the year and then reflected in staff's working arrangements. The Chief Finance Officer gave assurance that the recommendations were in hand.</p> <p><u>4.4 Student Journey</u></p> <p>The auditors gave substantial assurance and the Committee noted that the student journey had improved substantially over the past three years. The Deputy Principal (Planning &amp; Information) reported that this had been achieved as a result of improved team working and transparency through addressing culture in regular meetings with the department heads and management staff.</p> <p><u>4.5 Budget Monitoring and Control</u></p> <p>The auditors gave substantial assurance and concluded that the College had a good control framework in place for the approval of the budget, the creation of the management accounts and there was also evidence that the review process completed by budget holders' management and the Board was robust.</p> <p><u>4.6 Internal Audit Follow Up</u></p> <p>As part of the approved internal audit plan four audits took place in 20/21; key financial controls, follow up, Governance and HE Data and OfS Follow Up. 26 management actions were considered and 17 (65%) had been fully implemented. The Auditors opinion was 'reasonable progress' in implementing agreed management actions.</p> <p>Regarding the three outstanding medium priority recommendations on the Governance audit the Governance Professional reported as follows:</p> <p>Management Action: In line with the new Cycles of Business, the Leadership Team will receive, discuss and minute all decision items. Response: The new Corporation Cycle of Business, compiled from the agreed Committee cycles will set out the dates for all statutory and periodic reports to be considered by the Corporation. A timetable will be prepared detailing the Senior Management meetings that feed into the Corporation cycle.</p> <p><u>4.7 RSM Draft Annual Report 2021/22</u></p> <p>The auditors presented a draft report setting out the scope and limitations of the work undertaken in 2021/22, the basis for the audit opinion and concluded with the following audit opinion:</p> <p><i>'The organisation has an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness.'</i></p>
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	It was noted that a benchmarking report would be available in November 2022.
<b>35.21</b>	<b>5.0 Nescot Follow-up Schedule</b>
	The Chief Finance Officer summarised the progress on audit recommendations and advised the Committee that out of the 26 recommendations 17 were implemented, seven were ongoing and two are not yet implemented. Of the nine not yet fully implemented seven were due to be actioned by the end of July and two by the end of October 2022.
<b>36.21</b>	<b>6.0 Internal Audit Plan 2022/23</b>
	The proposed audit plan for 2022/23 consisted of 7 reviews (Apprenticeship follow up, Quality Assurance, Estates Management, Safeguarding, key financial controls, Risk Management & Governance and Learner Number Systems) for a fee of £38,570.00. The Committee was asked to consider reducing the number to six and it was therefore proposed and agreed to defer the Safeguarding audit which was understood to be in good order and therefore a lower priority. It was also agreed to bring forward the Quality Assurance audit to Winter 2022 from Spring 2023.
<b>37.21</b>	<b>7.0 Financial Statements External Audit Strategy 2022</b>
	The Chief Finance Officer presented the External Audit strategy and assured the Committee that it was the standard format and the two aspects to note were the overall financial statements materiality of £285,000 based on the projected outturn for 2021/22 and that the Corporation Tax Return had been included in their cost quotation.  It was also unanimously agreed by the Committee that MacIntyre Hudson should be retained as the External Auditors for 2022/23.
<b>38.21</b>	<b>8.0 Risk Management and Assurance Framework</b>
	<u>8.1 Strategic Risk Register</u>  The Committee received the updated Strategic Risk Register and were informed that since the last report the number of significant risks had reduced from five to four with the HR & Organisational development risk being reduced due to continued review of recruitment and retention strategies.  The Committee discussed the risks and concluded that loss of revenue was the biggest risk the College faced and it was crucial to increase income or develop a cost cutting plan. Longer term the balance between income/expenditure should be aligned, and it was noted that once the student numbers were confirmed in the Autumn term further clarity and assurance could be provided. It was emphasized that the business model needed to be re-engineered during 2022/23 and that plans could be developed and executed as soon as the necessary data was available.

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	<p><u>8.2 Assurance Map</u></p> <p>The Chief Finance Officer presented the Assurance map which demonstrated that:</p> <ul style="list-style-type: none"> <li>Assurance levels were high for 22 out of 26 strategic risks, and therefore the Corporation Board and Audit Committee could take a high level of assurance and confidence from the College's assurance framework and risk management processes.</li> <li>The Committee could take medium levels of assurance for the risks related to the impact of Covid and adverse changes in government policy and the external environment.</li> </ul>
<b>39.21</b>	<b>9.0 Audit Guidance Documents</b>
	<p><u>9.1 Post 16 Audit Code of Practice 2021/22</u></p> <p>The Committee received and noted a summary of the changes in the Code of Practice from the previous year.</p> <p><u>9.2 ESFA College Accounts Direction</u></p> <p>The Committee received and noted the changes in the 2020/21 College Accounts Direction.</p>
<b>40.21</b>	<b>10.0 Health &amp; Safety Report</b>
	<p>The Committee received the College Health &amp; Safety report covering the Spring Term 2021/22 summarising the issues relating to Covid-19, Fire Safety, Accident and Incident reporting and security searches.</p>
<b>41.21</b>	<b>11.0 OfS Follow Up Letter</b>
	<p>The Committee received a copy of a letter from the OfS relating to the follow up audit of aspects of the 2020-21 ILR higher education student data. The Chair requested that a formal reply be submitted, detailing the specific focus on the management action plan and the Committee's commitment to monitor the implementation of the plan in an additional meeting planned at the end of September.</p>
<b>42.21</b>	<b>12.0 Terms of Reference Review</b>
	<p>The Governance Professional presented the Committee with the proposed changes to the Terms of Reference which had been recommended in accordance with the latest versions of the AoC Code of Good Governance, recommendations from Internal Audit and the Audit Code of Practice.</p> <p>The recommendations were discussed and approved, and the updated version will be published on the website subject to agreement by Corporation.</p>
<b>43.21</b>	<b>13.0 Annual Cycle of Business 2022/23</b>

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	<p>The Committee received the revised Annual Cycle of Business for 2022/23, with proposed changes and additions for the review of statutory polices as per the recently published government guidance and clarification on the arrangements for calling an additional meeting in the Autumn Term.</p> <p>The Committee approved the annual cycle, subject to the addition of whistleblowing as a regular monitoring item.</p>
<b>44.21</b>	<b>14.0 Fraud Statement – verbal update</b>
	The Committee were informed that no incidents had been reported since the last update.
<b>45.21</b>	<b>15.0 Any Other Business</b>
	There being no further business the meeting concluded at 10.50am
<b>46.21</b>	<b>16.0 Date and Time of the Next Meeting</b>
	The next meeting will be held on Monday 30 <sup>th</sup> September at 9.00am.

### Decisions:

1. Agreed an additional meeting on 30<sup>th</sup> September at 9.00am to discuss the progress with the management action plan relating to the Learner Number Systems
2. Unanimously agreed that MacIntyre Hudson should be retained as the College's External Auditors for 2022/23
3. Agreed to recommend the revised Terms of Reference for approval to Corporation
4. Agreed the Cycle of Business 2022/23 subject to adding whistleblowing as a regular monitoring item.