

Approved Minutes

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

Held on Friday 2nd December 2022 at 9.00 am in Skills Park Board Room and via MS Teams

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

In Attendance: Julie Kapsalis (Acting CEO/Principal), George Jenkins (Chief Finance Officer, Susanne Wicks (Head of Governance).

Mark Eagle (External Auditors MacIntyre Hudson).

Mike Cheetham (Internal Auditors RSM).

1.22	Apologies for Absence
	Apologies for absence were received from Paul Ford.
2.22	Declaration of Interest
	The following declaration of interests were received: <u>Julie Kapsalis</u> : Unremunerated Director of NESCOT Enterprises Ltd. (NEL)
3.22	Minutes of the Previous Meeting and Matters Arising
	The Minutes of the meeting held on the 11 th July 2022 were agreed. <u>Matters Arising</u> : CFO to advise on progress towards agreeing payment plans for the ICOM students : GJ confirmed that payment plans have been agreed for some students, with some of these students preferring to pay annually or quarterly, rather than monthly. Payments have started to come in and we will reconcile the bad debt provision at year end. Not all monies due will be recovered.
4.22	Draft Annual Report & Financial Statements for 2021/22
i	<u>Draft Annual Report and Financial Statements 2021-22</u> The Committee received the Draft Annual Report and Financial Statements 2021-22 and was informed that the Finance & General Purposes Committee had previously reviewed the document and suggested amendments (as detailed in the minutes of the meeting held on 25 th November 2022). The CFO summarised the financial position as set out in the accounts and the Chair congratulated the CFO and his team for reaching this point with no last-minute adjustments, which reflected the sound financial management of the organisation. The Committee noted that there will be a financial impact on the College of no longer having sub-contracting arrangements in place

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	<p>and whilst the reserves are at healthy levels, this must be managed going forward. The Acting CEO/Principal reassured the Committee that ELT are carrying out a significant piece of work to ensure that the College is financially sustainable and that the staff base reflects the current size and budget of the organisation. She noted the need to go through a period of consolidation before seeking further growth.</p> <p>GJ advised that, following the announcement this week that FE Colleges are to be reclassified as public sector bodies, the following wording, suggested by the external auditor, has been added to the accounts:</p> <p>Post Balance Sheet Events</p> <p><i>Following a review by the Office for National Statistics it has been formally announced on 29 November 2022, that FE Colleges and their subsidiaries will be reclassified as forming part of the central government sector. This reclassification will change the framework in which the College operates. Having reviewed initial guidance from the Department for Education and the Association of Colleges, the Governors do not believe the reclassification has an impact on the financial results prepared within these financial statements as the conditions arose after the end of the reporting period. The College will continue to be funded and operate in the manner described within the members report and as such no adjustments have been made in regard to this event, and any potential impacts will be recognised in future accounting periods.</i></p> <p>MC advised that meetings are scheduled to take place next week with the ESFA to seek clarity on when changes would take effect and SE noted this would be particularly useful for the SSPR Committee due to the implications for senior staff pay.</p> <p>The CFO relayed the views of the F&GP Committee who felt that the expanded wording on page four of the document could erroneously suggest that the College leadership is unstable. The Chair expressed a preference for openness and transparency and pointed out that the information about the former CEO/Principal must be included as she fulfilled the role of Accounting Officer.</p> <p>Action: The Acting CEO/Principal undertook to draft a paragraph summarising the changes for agreement by the Corporation, taking into account the views of both F&GP and Audit Committee members.</p> <p>Having reviewed the Draft Financial Statements and Annual Report 2021-22, the Committee agreed to recommend their approval to the Corporation, subject to the amendment of the 'Key Management Personnel' section on page four and the addition of the paragraph detailed above regarding reclassification.</p>
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	ii	<p><u>Draft Management Letter and Letter of Representation 2021-22</u></p> <p>The External Auditors presented the Management letter and Letter of Representation 2021-22 and confirmed the intention to issue an unqualified audit opinion of the accounts to 31 July 2022. The Committee noted that the Letter confirms that:</p> <ul style="list-style-type: none"> • there were no material weaknesses in the accounting and internal control systems identified during the course of the audit; • the College’s financial statements for the period under review meet the regularity requirements set by the relevant funding body; • no inappropriate accounting policies or practices were identified; • no instance of fraud or irregularity were found; • no areas were identified where the College had not complied with laws and regulations; and • there are no other relevant matters to draw to the Corporation’s attention other than those included in the Management Letter. <p>The Committee approved the draft Letter of Representation for signature by the Corporation on College letterhead.</p>
	iii	<p><u>Post-16 Audit Code of Practice Regularity Questionnaire</u></p> <p>The Committee received the completed questionnaire.</p>
<p>5.22 Annual Reports</p>		
	i	<p><u>Annual Internal Audit Report 2021-22</u></p> <p>MC presented the Internal Audit Report detailing the Audit Plan which had been agreed and delivered for 2021-22, and highlighted the head of internal audit opinion that:</p> <p><i>The organisation has an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, our work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective.</i></p> <p>MC pointed to the summary of internal work completed (Appendix B) and confirmed that the assurance levels were as expected, with a mix of Amber and Green. ME confirmed that the report ties in with the external auditor’s findings.</p> <p>Report received.</p>

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	ii	<p><u>Draft Annual Report of the Audit Committee</u></p> <p>The CFO presented the Audit Committee Report which included a summary of the work undertaken by the Committee during 2021-22 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 give substantial assurance about the adequacy and effectiveness of the College's audit arrangements.</p> <p>The Committee approved the report for submission to the Corporation.</p>
6.22	Internal Audit & Other Reports	
	i	<p><u>Summary Follow-Up report 2021-22</u></p> <p>The CFO presented the report and noted that many of the actions were related to Apprenticeships. He and the Acting CEO/Principal reassured the Committee that progress was being made in that area, with improved structures and processes in place and better support being given to employers which should hopefully improve Nescot's reputation and encourage others to come on board. The Acting CEO/Principal noted that this has been a challenging area for most colleges</p> <p>Report received.</p>
	ii	<p><u>Internal Audit Plan 2022-23</u></p> <p>MC advised that his team have already been in touch with the CFO and Head of Governance to agree the scope for audits this year.</p> <p>The Committee received the Plan.</p>
7.22	Risk Management	
	i	<p><u>Risk Management Policy Update</u></p> <p>The Committee received the updated Risk Management Policy and noted that the changes made were updates to job titles and the membership of the Risk Management Action Group and the Disaster Recovery Group.</p> <p>The Chair sought reassurance that the policy is effective in supporting risk management and the CFO confirmed that was the case. However, he advised that the risk register has evolved over time and is due a review. To that end, RSM will be providing some support and examples of best practice as part of an internal audit that</p>

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		<p>will take place in January 2023. The CFO undertook to bring any recommendations for change to this Committee.</p> <p>Action: Proposals for a revised Risk Register to be presented to a future meeting of this committee.</p> <p>The Committee approved the updated Risk Management Policy.</p>
	ii	<p><u>Strategic Risk Register</u></p> <p>The CFO introduced the risk register and flagged the three significant risks (4, 6 and 12). The Committee noted that once the student cohorts have completed their courses this year, the sub-contracting arrangement will end, and any outstanding matters should be resolved by the end of the year. The Acting CEO/Principal advised that there has been regular dialogue with the ESFA who have confirmed that Nescot is not under any investigation. She also reported that robust contracts are now in place to manage the teach-out phase.</p> <p>The Audit Committee noted the latest position with regard to risks as set out in the register.</p>
	iii	<p><u>Assurance Map</u></p> <p>The Committee noted the updated Assurance Map.</p>
8.22	Health & Safety Report	
	<p>The CFO presented the Health & Safety report and highlighted that there were no issues of concern to report.</p> <p>The Committee noted that a new Health & Safety Officer is now in post.</p> <p>The CFO advised that vaping accounted for the majority of recorded student behavioural issues in the spring term, and confirmed that this is being addressed through induction, tutorial time and by the Wellbeing Team. The Acting CEO/Principal advised that, at the recent AoC Conference, it emerged that most colleges are still dealing with the long-term impact of the pandemic on behaviour, as students settle back into a formal learning environment. CM confirmed the same experience in schools.</p> <p>With regard to the programme of inspections, the CFO advised that the Motor Vehicle inspection was deferred due to a staffing issue but has been rescheduled.</p> <p>AN sought clarity on where health & safety is covered in the strategic KPI and the Acting CEO/Principal advised that it would best fit in Key Priority 1 (Outstanding teaching, learning and assessment in an inspirational and safe environment) but that any significant issues would be brought to the attention of the Corporation.</p>	

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	Report received.
9.22	Reportable Items – Fraud/Whistleblowing
	The CFO delivered a verbal report. The Committee agreed that Fraud and Whistleblowing should be a standing agenda item, even if there were nothing to report.
10.22	Any Other Business
	No items raised.
11.22	Date & Time of the Next Meeting
	The next meeting will be held on Friday 17 th March 2023 at 9.00am.

The meeting closed at: 10.15 am

Decisions:

1. The Committee agreed to recommend that the Corporation approve the Annual Accounts 2021-22, subject to the changes agreed.
2. The Committee approved the draft Letter of Representation for signature by the Corporation on College letterhead.
3. The Committee approved the Audit Committee Annual Report for submission to the Corporation.
4. The Committee approved the updated Risk Management Policy.

Actions:

1. Proposals for a revised Risk Register to be presented to a future meeting of this committee.
2. Whistleblowing to be added as a standing item on the agenda for all Audit Committee meetings.