



**MINUTES OF THE AUDIT COMMITTEE OF THE
NORTH EAST SURREY COLLEGE OF
TECHNOLOGY FURTHER EDUCATION
CORPORATION HELD ON THURSDAY 15 MARCH
2018 AT 09.00 IN THE BOARD ROOM (SP216)**

<p>PRESENT</p> <p>Ms Catherine Biscoe (Chair) Mr Graeme Hodge¹ Ms Maureen Kilminster Mr Peter Stamps Mr Kabir Shaikh</p> <p>Attendance = 100%</p>	<p>IN ATTENDANCE</p> <p>Mr Mike Cheetham – RSM Ms Frances Rutter - Principal Ms M Vetrone - Deputy Principal, Finance & Resources</p> <p>Mr D Round - Clerk to the Corporation</p>
<p>16.17</p>	<p>PRE-MEETING WITH MEMBERS OF THE COMMITTEE AND AUDITORS ONLY</p>
<p>A pre-meeting took place with governors and auditors only. Officers of the Committee joined the meeting.</p>	
<p>17.17</p>	<p>APOLOGIES FOR ABSENCE</p>
<p>There were no apologies for absence. Mr Shaikh was welcomed to his first meeting of the Committee.</p>	
<p>18.17</p>	<p>DECLARATIONS OF INTEREST</p>
<p>Ms Rutter and Mr Stamps in attendance at the meeting, declared an interest as unremunerated directors of NBS Ltd and until recently, NCL. Maureen Kilminster reported that she is a former Principal of Brooklands College, a trustee of Surrey Lifelong Learning Network and a member of Ewell Rotary Club. Mr Shaikh declared his interests as board members of Bournemouth Arts University and the Commonwealth Human Ecology Council.</p>	
<p>19.17</p>	<p>MINUTES</p>
<p>The minutes of the meeting held on 01 December 2017 were approved as a correct record.</p>	
<p>20.17</p>	<p>MATTERS ARISING</p>
<p>07.1 Commercial Activities - The Chair requested that advice be taken on the issue of Corporation tax and VAT and be reported to the Committee (ACTION: MV).</p>	

¹ From 09.55am

<p>The Deputy Principal reported that as the motor vehicle centre was not yet operational the College did not want to pay for legal advice until nearer the time. A report would come to Audit when the legal advice was received. It was noted that Le Raj and Innovations were 'core' educational activities and not subject to VAT.</p>	
21.17	DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS, 2016/17
21.1 Draft Annual Report and Group Financial Statements 2016/17	<p>The changes in the annual report and group financial statements for 2016/17 were noted. Following the consolidation of the NCL accounts a surplus of £770k would be reported. The additional payment clauses in the agreement signed with the purchasing parties of NCL in the event of improved financial performance in NCL for 2016/17 would not now be triggered. The Committee commended the group report and financial statements to the Corporation.</p>
21.1 External Auditor's Management Letter and Letter of Representations 2016/17	<p>The Committee noted that the management letter of the external auditor now confirmed that the group financial statements were now unqualified. The auditors had also expressed the view that it was unlikely that the College would be required to present group accounts next year as the College disposed of its interest in NCL on 17 August 2017. This could not be confirmed until the time of the preparation of the accounts.</p>
21.3 Annual Report of the Committee	<p>The changes to the Annual Report of the Audit Committee were reviewed and subject to the amendments to the formatting changes notified, the report was approved for signature by the Chair.</p>
22.17	INTERNAL AUDIT ASSIGNMENT REPORTS
22.1 Curriculum Planning	<p>Mr Cheetham from RSM introduced their assignment report on curriculum planning at the College. He commented that the report was a good one compared to those presented at other institutions. The key areas for development was to focus the process less on operational and more on strategic planning i.e. what needed to change in the curriculum offer; how should the offer be developed to meet emerging employer needs; how can the curriculum be more engaged in the process and take ownership for outcomes? There were four 4 high priority and six medium priority recommendations. The report concluded</p> <p>'The College's strengths to date have been its financial stability and quality management, delivering a high quality product cost-effectively. There are clear strategic plans and</p>

<p>22.2 Staff Utilisation</p>	<p>robust and effective curriculum planning processes. However, current programme development mechanisms are weaker and likely to limit curriculum responsiveness. This poses an obvious risk for future sustainability of the portfolio.’</p> <p>The College welcomed the report and had identified actions to incorporate the recommendations into the planning process next year with an emphasis on innovation, adaptation and commercial viability.</p> <p>The Committee noted the internal audit assignment report on curriculum planning.</p> <p>Mr Cheetham commented that most audit reports on staff utilisation at other colleges were red flagged. The NESOT report was green-flagged with the opinion that</p> <p style="padding-left: 40px;">‘Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.’</p> <p>There were four low priority recommendations which the College accepted.</p> <p>The Committee noted the internal audit assignment report on staff utilisation.</p>
<p>23.17</p>	<p>OTHER AUDIT REPORTS</p>
<p>23.1 ASTM Audit Report</p>	<p>The College had commissioned an independent consultancy report on the ASTM² joint venture in Lancashire. The report had focused on the new Higher National provision in Business which had attracted 88 enrolments and was currently coming towards the end of its first year of operation. The report had been commissioned because of perceived risks to the quality of provision and the consequential significant financial exposure, should those risks materialise.</p> <p>The consultancy report assessed the risk to the College as</p>

² Academy of Science and Technology Management

<p>23.2 IT Report</p>	<p>'amber'. A number of recommendations were made which the College had accepted and implemented immediately. The College provided assurance to the Committee that the risks were being effectively managed.</p> <p>The project was subject to regular scrutiny at meetings of the senior management team. In response to questions from governors, it was reported that the Head of Quality was heavily involved in the work to support the programme and was acting as the internal verifier. She was a business studies specialist by background and had taught at HN level. The financial risks had been brought to the attention of F&GP and the Corporation. Curriculum and Quality Committee had reviewed the report at its meeting earlier in the week.</p> <p>The Committee noted the risks identified in the report, the actions that had been taken by the College and the assurances given in respect of the management of the project.</p> <p>The College had experienced unexpected changes in the leadership of the IT Services department at the College. Subsequently, and as a result of the identification of poor practices and IT infrastructure being at the end of life, a number of major outages in systems and some data losses had taken place. External expertise had been sought. This had had the effect of stabilising the service in the short term. The College decided to commission a major review of its IT infrastructure and the 'IT Health Check' report was presented to the Committee for its review and comment.</p> <p>The report found that the majority of NESCOL's servers were vulnerable to malicious malware, ransomware and spyware attacks. There was a lack of tried and tested backup and recovery plans for IT systems. The networking infrastructure that sought to protect College systems required penetration testing. It also commented: 'There was an apparent lack of leadership and direction in the department, a lack of understanding of the big picture, documented IT processes and supporting infrastructure diagrams.'</p>
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	<p>Governors asked whether the College could be sure that the advice and consultancy support it had received was correct, reflected best industry practice, was an appropriate solution and represented value for money. It was explained that the consultancy report was FoC. The engagement of the consultancy team had to be acted upon quickly because of the urgency of the situation and the exposure of College systems. The College's Procurement Officer had been consulted about the propriety of the actions taken.</p> <p>F&GP Committee had been advised about the investment required to address the IT infrastructure defects identified in the report which was estimated at £250k. The work was due to be completed by the end of April. The costs of the consultancy support were set-against the salary costs of the IT Director post but it was planned to fill this post in August.</p> <p>Concern was expressed that in the absence of an IT Director in post how could the College be assured about the appropriateness of the proposed solutions. The College reported that members of the IT Services department were involved in decision making and that the supplier was reputable and being managed by the Deputy Principal (Finance and Resources).</p> <p>The Audit Committee noted the IT audit report ('IT Health Check').</p>
24.17	FOLLOW-UP SCHEDULE OF INTERNAL AUDIT RECOMMENDATIONS
<p>The Committee reviewed the progress in implementing internal audit recommendations from previous assignments. The Committee noted that: -</p> <ul style="list-style-type: none"> • All audit recommendations have been implemented or superseded for 2013-14, 2014-15, and 2015-16. • In 2016/17 30 recommendations were made arising from audit work. 19 have been implemented and 11 are in the process of implementation - principally Estates strategy and the management of contractors and commercial activities. • In the current year 20 audit recommendations have been made. 4 have been implemented in relation to staff utilisation and 16 actions arising from the curriculum planning report are being actioned. <p>It was recommended that the ASTM and IT audit report be included in the schedule (ACTION: MV).</p>	

The Committee noted that the audit assignment on GDPR³ had been delayed until the end of the year. The College believed that its current arrangements were reasonably robust.

The Committee noted the follow-up schedule of internal audit recommendations.

25.17**RISK REPORTS****25.1 Strategic Risk Register**

The Committee reviewed each risk in the register noting the changes in the assessment of risk, the supporting evidence and the mitigating actions.

The risk profile, whilst correctly reflecting a high level of overall significant risk in the turbulent environment facing colleges, had showed a slight decline in the number of risks assessed as significant although the number of risk remained the same. The Committee reviewed the risk profile table.

Net risk category	Number of net risks in category at last report	Number of net risks in category in this report
Low	2	5
Acceptable	5	5
High	6	5
Significant	10	8
Totals	23	23

The risks viewed as increasing were: -

1. IT systems and infrastructure;
2. Non-compliance with new legislative requirements such as GDPR; and
3. The failure to manage commercial enterprises effectively to secure profitability

The Chair noted that the register was a live document. It was confirmed that the senior management team reviewed the register on a regular basis.

The Committee noted the updated strategic risk register.

25.2 Risk Assurance Framework

The updated risk assurance framework was noted.

³ General Data Protection Regulations

26.17	HEALTH AND SAFETY REPORT
<p>The report of the Health and Safety Manager was reviewed. The scope of the report covered fire safety; safety risk assessments; environmental health; security including student security-related matters; and incident/accident reporting,</p> <p>Governors commented that they were pleased to see detailed information about progress in implementing risk assessments and the schedule of planned assessments. It was noted that the Carpentry area had not been undertaken yet. Consideration should be given to phasing assessments over the year (ACTION: MV).</p> <p>It was suggested that an example of the risk assessment reports taken to the Health and Safety Committee would provide members of the Committee with additional assurance about the robustness of the College's processes in respect of health and safety.</p>	
27.17	PROCUREMENT POLICY AND STRATEGY
<p>The Audit Committee's terms of reference state that the duties of the Committee include: 'To advise the governing body on the adequacy and effectiveness of the college's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).'</p> <p>In discussion governors asked whether there was improved compliance with procurement policies. It was noted that internal training had taken place and there was considerably greater compliance than previously.</p>	
28.17	ANY OTHER BUSINESS
<p>The Principal reported that this was the last meeting of NESBOT Corporation to be attended by the Chair. A presentation was made and thanks were extended to Ms Biscoe for her service to the College and excellent stewardship of the Audit Committee. There was no further business and the meeting closed at 10.45.</p>	
29.17	DATE AND TIME OF NEXT MEETING
22 June 2018 at 09.00	
30.17	CONFIDENTIAL ITEMS
The representative of the Audit firm withdrew from the meeting at this point.	

Signed Date

Catherine Biscoe, Chair of the Audit Committee

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