



**MINUTES OF THE AUDIT COMMITTEE OF THE
NORTH EAST SURREY COLLEGE OF
TECHNOLOGY FURTHER EDUCATION
CORPORATION HELD ON FRIDAY 15 MARCH 2019
AT 09.00 IN THE BOARD ROOM (SP216)**

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| <p>PRESENT Ms Maureen Kilminster (Chair) Mr Kabir Shaikh Mr Simon Enoch Ms Liz Lawrence</p> <p>Attendance = 100%</p> | <p>IN ATTENDANCE Mr Mike Cheetham – RSM Mrs Frances Rutter - Principal Ms M Vetrone - Deputy Principal, Finance & Resources Mr Graeme Hodge – Staff governor (Observer) Mr D Round - Clerk to the Corporation</p> |
| 16.18 | APOLOGIES FOR ABSENCE |
| There were no apologies. | |
| 17.18 | DECLARATIONS OF INTEREST |
| <p>Ms Rutter declared an interest as an unremunerated director of NBS Ltd, a wholly-owned subsidiary of NESCOT which is being closed. She also declared an interest as an unremunerated director of NESCOT Enterprises Ltd, a wholly owned subsidiary of NESCOT. Ms Kilminster declared an interest as the former principal of a college in Surrey.</p> | |
| 18.18 | MINUTES |
| The minutes of the meeting held on 07 December 2018 were approved as a correct record. | |
| 19.18 | MATTERS ARISING |
| <p>The meeting received and noted a paper that updated the Committee about the status of actions referred from previous meetings.</p> <p>05.18 Matters Arising – it was noted that members of the Committee had been consulted regarding the scope for the IT review being undertaken by the College’s internal auditors. The matter was included on the agenda for today’s meeting. It was also noted that the public interest disclosure (‘whistleblowing’) was a matter for discussion at today’s meeting.</p> <p>16.2 Re-appointment of the internal auditors – the Deputy Principal reported that the timeline for tendering the internal audit service had been slightly delayed but that she anticipated it would be prepared via the CPC framework by April 2019.</p> | |
| 20.18 | INTERNAL AUDIT ASSIGNMENTS |
| 20.1 Student Journey audit report | <p>Mr Cheetham presented the report of the internal auditors relating to the ‘student journey’ from application to enrolment and induction to the College. The scope of the audit was to review processes and procedures in relation to:</p> <ul style="list-style-type: none"> Initial enquiries and response Application and enrolment suitability checks |

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| <p>20.2 Benchmarking report</p> | <ul style="list-style-type: none"> • Application response and interview • ‘Keep warm’ strategies • Induction and revalidation of support • Monitoring and management of the Colleges application to induction stages. <p>A ‘green’ opinion of substantial assurance was given in the report which noted</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 the identified area(s) are suitably designed, consistently applied and operating effectively.’</p> <p>The Committee was advised that it was unusual for the internal auditors to give an opinion of substantial assurance.</p> <p>The Committee also noted the College’s work to enhance the student application to enrolment experience as part of its new whole-college ‘keep warm’ strategy. The College was pleased to report a 24% increase in the number of 16-18 applications but the challenge now was to maximise the conversion of applications to enrolments.</p> <p>A report prepared by the internal auditors comparing NESCOT’s audit assignment opinions to those of other FE and college clients. Comparison between NESCOT and other GFE clients of the auditors were favourable with more overall substantial and reasonable opinions given and fewer partial and no assurance opinions.</p> <p>RESOLVED: that the reports of the internal auditors be noted.</p> |
| <p>21.18</p> | <p>OTHER AUDIT REPORTS</p> |
| <p>21.1 Whistleblowing (Public Interest Disclosure) audit report</p> | <p>Mrs Rutter and Ms Vetrone withdrew from the meeting at this point.</p> <p>The purpose of the report was to give assurance to the Audit Committee that an independent and robust investigation was undertaken in response to the public interest disclosure (‘Whistleblowing’) and to confirm that College policies were followed. The public interest disclosure concerned allegations relating to the propriety of the appointment of the College’s IT suppliers and other matters relating to the cyberattack experienced by the College in October. With the agreement of the Chair of the Audit Committee, the College’s internal auditors, RSM, were commissioned to undertake an external and independent investigation of the case.</p> |

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| <p>21.2 IT review: terms of reference</p> | <p>The Chair of the Audit Committee received a copy of the report when it was made available to the College. The Clerk wrote to members of the Committee on 21 December 2018 with a summary of the findings of the report and it was agreed that the full report would be presented to the Committee at its next meeting.</p> <p>It was noted that the opinion of the independent investigation was that the College had followed appropriate procedures, that there was no breach of regularity or propriety and that no further action was necessary. The individual making the disclosure had been advised of the report's findings and they had determined not to appeal the outcome.</p> <p>The Committee was content that the matter had been handled correctly and that no further action was required.</p> <p>RESOLVED: that the report of the independent investigation be noted and that no further action was required in relation to the public interest disclosure matter.</p> <p>Mrs Rutter and Ms Vetrone re-joined the meeting at this point.</p> <p>The terms of reference for the comprehensive review of the College's IT was received. It was noted that members of the Committee had commented on the draft of the proposal from RSM, who were undertaking the review.</p> <p>The scope of the review was described by the auditors as follows:</p> <p style="padding-left: 40px;">'We will undertake an independent strategic IT review for NESOCOT that looks at its IT Strategy, how the various upgrades over the last year dovetail into this, the current and planned future state of IT operations, and whether all this is still appropriate or if the Strategy needs a refresh. We will also undertake a review of events before the cyberattack in October 2018 and how the incident was managed by the College. We will carry out a review of the incident response process with an assessment of any control issues that may have led to the incident.'</p> <p>The fieldwork for the review had commenced and a draft was expected by the end of March. The report would be available for consideration by the Audit Committee at its May meeting.</p> |
| <p>22.18</p> | <p>UPDATE ON OUTSTANDING AUDIT ACTIONS</p> |
| <p>The Audit Committee received a report from College management to update the Committee with progress in the implementation of internal audit recommendations to date. The</p> | |

assessment of the College is independently verified by the internal auditors. The scope of the review included all audit reports since 2013/14 academic year.

For 2013-14, 2014-15, and 2015-16, all audit recommendations had been implemented or superseded, and worksheets closed. In 2016/17 30 audit recommendations had been made; 27 had been completed. The 3 outstanding actions related to the College's commercial projects and an update on progress was provided to the Committee. The staffing changes in the commercial services area had impacted on progress but all of the recommendations would be implemented by the end of the current academic year. In 2017/18 54 audit recommendations had been issued; 53 had been implemented by the College. The remaining recommendation related to GDPR, specifically the review of security controls for hard-drives as part of the data mapping process. The recommendation was in the process of implementation by the College. All 21 audit recommendations arising from the separate audit reports on ASTM and the IT health check had been implemented.

It was noted that only the student journey assignment had been completed in the current year, 2018/19. The one recommendation from that report had already been implemented.

RESOLVED: that the update on outstanding audit reports be noted.

| 23.18 | OTHER REPORTS |
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| <p>23.1 Terms of reference for a report on Corporate governance structures</p> | <p>The Committee noted the terms of reference for a report from RSM to advise the College about appropriate governance, taxation and accounting arrangements for the operation of its subsidiary company structure, particularly NEScot Enterprises Ltd (NEL). An update about the status of NEL was provided, it being the proposed vehicle for the delivery of certain commercial projects in the first instance. It was explained that NEL was initially to be used on a small scale for the operation of the <i>Rasika</i> restaurant but that further expansion might be considered in the longer term. The benefits for the College included more cost effective pension arrangements for certain categories of new employees. It would not affect existing staff and would not cover teaching staff.</p> <p>The Principal wished to emphasise that the College was concerned to establish transparent and robust governance arrangements and provide the basis for the possible further expansion of the role of NEL going forward. Governors commented that it was important that communications to staff were very clear in relation to the role of NEL.</p> <p>It was noted that the report would be presented to Audit Committee as well as F&GP and the Growth Committee in due course (ACTION: MV/Clerk).</p> |

Risk 4 - Failure to achieve funding body, devolved AEB, and apprenticeship recruitment targets

Risk 16 - Failure to develop and implement effective and robust business plans for international business, especially EU business in light of BREXIT, may lead to failure to achieve income targets, failure to achieve key strategic priorities, and damage to reputation.

Risk 20 - Adverse changes in government policy and the external economic environment.

Risk 22 - Failure to properly manage the Government's reform of Apprenticeship provision and funding.

The increase in the level of risk for risk 16 was linked in particular to the possible adverse impact of a 'no deal' BREXIT on the partnership with ICOM in relation to Osteopathic Medicine and the new provision in the Republic of Ireland. The increased risk assessment in relation to management information systems was linked to the plans to introduce a new Finance Information System. Effective project management was required as so many of the College's systems and processes linked to the finance system. The Committee recommended that the supplier be required to project manage the implementation. The Committee also welcomed the plan to operate with parallel working for a period as part of the project roll-out.

The movements in the assessments of risk were noted. There had been a 2% deterioration in the severity of the assessed net risks at the College.

RESOLVED: that the updated strategic risk register be noted.

25.18

RISK ASSURANCE FRAMEWORK

The Committee noted that

- The Assurance Levels are 'High' for 21 of 22 strategic risks (20 of 21 at the last report to the Audit Committee). This means that the Audit Committee, and the Corporation Board, can continue to take a high level of assurance and confidence from the College's assurance framework and risk management processes.
- The Audit Committee can take a 'Medium' level of assurance for **Risk 20**. This risk relates to adverse changes in government policy and the external environment, and would benefit from additional and independent 3rd line defence assurances although this is a challenge to obtain for this risk.

RESOLVED: that the risk assurance framework report be noted.

26.18

FRAUD STATEMENT

The Deputy Principal advised the Committee that no allegations of fraud had been made and there no matters to be drawn to its attention.

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| 27.18 | HEALTH AND SAFETY REPORT |
| <p>The report of the Health, Safety and Security Manager was received covering incident reporting from the autumn term. During the reporting period September to December 2018: -</p> <ul style="list-style-type: none"> • There were three accidents to members of staff, none of which were reportable under RIDDOR. • There were six accidents to students, one of which was reportable under RIDDOR. • One accident has been recorded for this period to a member of public visiting the College. The incident, which was reportable under RIDDOR was not progressed as the individual concerned did not wish to pursue the matter. • Overall there were 59 incidents which was a small increase compared to the same period last year. <p>Details of materials discovered during security searches were presented and noted by the Committee.</p> <p>Governors discussed the fire alarms and the response of staff and students. The Principal commented that there was significant room for improvement which was being addressed. It was also confirmed that Fire Marshalls visit all rooms to check that all individuals have left the building. Questions were asked about the College's readiness to respond to a serious security incident and whether lock-down procedures were in place. The College confirmed that the lock down procedure had yet to be tested (ACTION: MV). The Committee observed the time gaps between risk assessments was in some areas quite significant. The Principal assured members of the Committee that the new Health, Safety and Security manager was addressing these legacy issues.</p> <p>RESOLVED: that the report of the Health, Safety and Security Manager be noted.</p> | |
| 28.18 | ANY OTHER BUSINESS |
| <p>There was no further business and the meeting ended at 10.30.</p> | |
| 29.18 | DATE AND TIME OF NEXT MEETING |
| <p>The proposed change of date of the Audit Committee was to be reviewed as some members were not able to make the proposed date (ACTION: Clerk).</p> | |

Signed Date

Ms Maureen Kilminster, Chair of the Audit Committee

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| Author | David Round |
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