



Minutes of the Audit Committee held on Friday 20th March 2020 at 09.00 in Committee Room B, Skills Park, NESCOL.

Present:	In Attendance:
Mr Simon Enoch (Chair) via Microsoft Teams Mrs Lynn Reddick via Microsoft Teams Attendance 86%	Mr Mike Cheetham – RSM (Internal Auditors) via Microsoft Teams Mrs France Rutter Principal and Group CEO Ms Maria Vetrone – Deputy Principal (Finance and Resources) Mrs Josephine Carr – Clerk to the Corporation
Observer: Mr Graeme Hodge (Staff Support Governor)	

14.19 | 1. Apologies for absence

No apologies for absence were received. The meeting was confirmed as quorate. The Chair advised that the meeting would be conducted based upon the assumption that everyone had read the meeting papers.

15.19 | 2. Declarations of Interest

Mrs Lynn Reddick declared her interest as the Director of Learning at the Orpheus Centre, a specialist provider in Surrey.

16.19 | 3. Minutes and Matters Arising from the meeting of 9th December 2019

The Chair confirmed that the action points from the meeting of the 9th December had been addressed at the Corporation meeting of 12th December. The minutes of the meeting held on 9th December 2019 were approved as a correct record and the Chair confirmed that he was happy to sign the minutes.

17.19 | 4. Follow-up Schedules

4.1 Internal Audit Recommendations

The Deputy Principal tabled the excel spreadsheet detailing recommendations from 2013-14 to 2019-20 with the summary position provided in the accompanying coversheet. All recommendations relating to 2013-14 to 2017-18 have been implemented or superseded and the spreadsheet tabs for these years are closed.

In 2018-19 Internal Audit delivered 4 planned audits which resulted in 15 recommendations, all of which have been implemented.

1. Student Journey
2. Key Financial Controls
3. Risk Management and Governance
4. Learner Number Systems

A further 4 recommendations were raised following the Internal Audit Review of Subcontracting. Two of these recommendations remain outstanding primarily due to timing and will be implemented before 31st July 2020; to ensure that the Corporation receives all subcontracting information before the commencement of the academic year, i.e. at the 24th July Corporation meeting.

One Internal Audit, Quality Assurance processes, has been undertaken in 2019-20 and no recommendations were made in the final report which was reported to the 9th December 2019 Audit Committee.

There are 4 audits planned for the remainder of 2019-20

1. Health and Safety
2. Staff Appraisals
3. Key Financial Controls
4. Learner Number Systems

The Health and Safety audit has been deferred until next term because of the increased workload of the Head of Health, Safety and Security generated by the COVID-19 virus. The remaining 3 audits will commence shortly with internal audit staff working remotely wherever possible.

The Deputy Principal reminded the meeting that the spreadsheet represents the College Management's response to the implementation of the agreed Internal Auditor's recommendations. The Deputy Principal will be reviewing the spreadsheet with the Internal Auditors, RSM next week. RSM will undertake their follow-up review of agreed recommendations and present their report at the 13th July Audit Committee.

In summary, the meeting noted that College Management have implemented all but 2 of the agreed Internal Audit Recommendations to date and that the 2 outstanding recommendations will be implemented by 31st July 2020.

4.2 IT Strategy Review Follow-up

The Coversheet provides a brief summary of the outcomes of the RSM IT review commissioned by the Nescot governors following the cyber-attack of October 2018.

The Review considered 3 elements:

1. The College IT Strategy.
2. Assesses the state of IT and identifies key risk areas.
3. Events before the cyber-attack in October 2018 and how the incident was managed by the College.

The key findings of the RSM review are detailed on p2-3 of the coversheet.

In conclusion, the Deputy Principal assured the meeting that the College has implemented all the audit recommendations that were due to be implemented (in accordance with agreed timelines), in particular data storage.

The Support Staff Governor joined the meeting.

The Committee Chair asked for a summary update regarding current IT and other risks arising from the COVID-19 pandemic. The Director of IT is a member of the Disaster Recovery Team (DRT) which meets daily. The majority of staff and students are now working remotely. All staff are required to give an assurance by the end of today that they are set-up and able to work remotely. The Director of IT anticipates that there may be some teething and bandwidth problems but assures the DRT that the College IT is able to support remote working and student online working.

The Staff Governor advised that students may call the LRC team if they have problems with remote working. The LRC is currently open and students may work in the LRC if absolutely necessary, especially where they do not have access to a computer at home. One member of the LRC staff has a medically comprised family and so is working from home. The rest of the LRC staff will cover staffing the LRC on a rota.

The LRC is developing a FAQ for students working remotely. However, the vast majority of student requests received to date relate to changing passwords after being locked out.

18.19 | 5. Risk Management

5.1 Strategic Risk Register:

The Deputy Principal advised the meeting that they had access to all of the risk management information in tabled excel spreadsheet.

As at 11th March 2020 there are 25 strategic risks. Two have been added since the December Committee meeting both of which are rated as "High risk":

1. Compliance with the College's processes and systems for the management of student data;
and
2. Preventing and mitigating the spread of COVID-19 to the College campus or satellite centres.

The current rating of the 25 Strategic risks (11th March 2020):

- 4 Significant
- 9 High
- 7 Acceptable
- 5 Low

The 4 Significant risks are:

1. R4: Failure to achieve targeted student recruitment and the subsequent implications on funding.

As a result of under-enrolment in September 2018, the College lost £4.074M of funding allocation in 2019-20 (lagged funding). The College will receive the lagged funding for the 220 additional 16-18-year-old students recruited in September 2019 in 2020-21.

An open evening (16.30-21.30) was scheduled for Wednesday 20th May. However, unless the current restrictions have been lifted, this event will not take place.

Similarly, group interviews for 2020-21 applicants have been cancelled due to COVID-19 and applicants are now being given unconditional offers. This may impact upon actual enrolment in particular with regard to ensuring that students enrol on the most appropriate course and the number of student withdrawals at the beginning of the autumn term. Furthermore, an unconditional offer will give the students' parents reassurance that their children have a place to study in September and give Nescot a competitive advantage.

There is a risk that if the College accepts all the High Needs students sponsored by local authorities that it may not have sufficient funding or the necessary facilities to support them. This is a low risk as the sponsoring local authorities have a reasonable understanding of the students which they are proposing attend Nescot in September 2020.

2. R17: Failure to develop and implement robust business plans for international business, especially EU business in the light of BREXIT.

The College is likely to lose £600K pa from ICOM (Italian Osteopaths) who are moving their headquarters to Malta. The mitigating actions include targeting French Osteopathy Colleges in the anticipation that there is a BREXIT deal and that UK qualifications are recognised in Europe and revising the programme timetable to encourage students to attend. Unfortunately, ICOM did not wish to wait for this possibility. Existing ICOM students will finish their programmes, but the College is assuming that there will be no future ICOM students.

3. R22 Adverse changes in government policy and the external economic environment.

With COVID-19 this risk is more severe than ever together with the management capacity required to manage this.

4. R24: Failure to properly manage Apprenticeships and funding.

There are two apprenticeship funding streams Levy and non-Levy. The College's non-Levy allocation was cut by £1M in 2019/20 (included in the £4.074M loss of allocation) and the remaining funding will be withdrawn in 2020/21.

Therefore, the College is placing additional emphasis/focus upon increasing Levy funded apprenticeships. The Sales Team and Curriculum teams are gearing up for further increasing their levy-paying employer engagement.

Three risks have been downgraded:

1. R2 Failure of key information systems and loss of data and / or loss of accommodation for long periods of time in the event of a disaster or serious outage may result in loss of business continuity, financial loss and damage to reputation.

Risk 2 has been regraded from significant to high and the matrix on P5 of the Coversheet identifies the reasons contributing to this. The main remaining elements of risk relate to insider threats and data breaches.

The principal factors in reducing the risk were:

- Moving the majority of systems to new servers providing greater security.
- The College wireless system is compliant with industry standards and has been recently PIN tested.
- Obsolete equipment has been removed and a capital programme agreed for new equipment.
- The College has increased the security regarding its Cloud usage and now employs Microsoft Azure.

2. R18 Failure to achieve and maintain a fit for purpose estate and facilities, and learning resources, may lead to failure to achieve student recruitment targets and student progression/ completion, failure to achieve College key strategic priorities, and damage to reputation.

The College continues to invest in its estate to maintain its asset value and improve staff and student experiences. Capital projects have been completed within budget and timelines. The risk rating has been regraded from acceptable to low.

3. R21 Failure of the Governing Body to act within the College Articles and Instruments may lead to decisions that are ultra vires, do not contribute to the achievement of the College's key strategic priorities, and damage to reputation

The risk has been regraded from acceptable to low. The Chair noted the Clerk's paper regarding quoracy during the COVID-19 pandemic.

The Pie chart indicates that the total net risk exposure is increasing; a 4% adverse movement since the December meeting and 2% compared to March 2019.

The Committee Chair requested that the Deputy Principal provides an update of the Strategic Risk Register to reflect the potential impact on student recruitment and finance as a direct result of coronavirus (COVID-19) as soon as possible.

The Internal Auditor confirmed that he was happy with the College assessment of its strategic risks and its accompanying mitigating actions.

The Committee noted the College Risk Register dated 11th March 2020.

5.2 Assurance Framework Report

The Deputy Principal advised the meeting that the Risk Assurance Map derives from the College Strategic Risk Register and provides assurance for Governors regarding key controls and the three lines of defence for each strategic risk:

1. Management actions.
2. Committee scrutiny.
3. Internal Audit.

The Deputy Principal confirmed that Governors may be assured of a high level of assurance for 22 of the 25 strategic risks. Three strategic risks are lacking in the third line of defence as it is difficult to audit COVID-19, adverse changes in government policy and Management capacity.

The members agreed that they had full confidence in the Risk Assurance Map and that ELT were managing the risks and adhering to processes.

5.3 Budget 2019-20 Risk Register: The Committee Chair advised that there was no need to discuss this item as governors should await an indication of the impact of COVID-19 upon the

2019-20 budget. The March management accounts will provide some visibility of the COVID-19 impact upon the budget.

The ASTML Board met yesterday and reported that whilst the income to date remains behind target, the revised forecast to 31st July 2020 has improved from the December 2019 position. The ASTML CEO reported that all ASTML centres are geared up to teach online from Monday 23rd March.

The principal challenges identified to date, regarding closing the campus include:

- Loss of income for the Gym, Adrian Mann Theatre, Nestots et al.
- Loss of income and accompanying costs relating to the Undercroft estimated at £1K per day and establishing who is liable for these; Caterlink or the College? The Contracts Manager is looking into the situation.
- Achievement of students and the associated loss of 20% of funding for those ESFA funded students not achieving their qualification.

The Chair requested a summary of the key vulnerabilities created by the COVID-19 pandemic.

19.19 | 6. Fraud

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

20.19 | 7. Health and Safety

The meeting confirmed that they were happy with the Health and Safety report and had no additional questions.

21.19 | 8. Any Other Business

Mrs Reddick informed the meeting that she would send the NATSPEC COVID-19 guidance (for specialist provision) to the Clerk.

There being no further business the meeting closed at 9.46.

22.19 | 9. Date and time of next meeting.

Monday 13th July at 14.00.

Decisions

Actions:

1. The Deputy Principal to provide an update of the Strategic Risk Register to reflect the potential impact on student recruitment and finance as a direct result of coronavirus (COVID-19) as soon as possible.
2. The Chair requested a summary of the key vulnerabilities created by the COVID-19 pandemic.

Executive Summary:

1. The meeting noted that College Management have implemented all but 2 of the agreed Internal Audit Recommendations to date and that the 2 outstanding recommendations will be implemented by 31st July 2020.
2. The College has implemented all the audit recommendations arising from the IT Review undertaken by RSM that were due to be implemented (in accordance with agreed timelines), in particular data storage.
3. The College IT system is able to support staff working remotely and student online study.

4. As at 11th March the College had 25 strategic risks, two of which have been added since December 2019.
5. The March Management accounts will provide some visibility of the financial impact of the COVID-19 pandemic on the 2019-20 budget.

Signed Date

Simon Enoch

Chair of the Audit Committee

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