



Minutes of the Audit Committee held on Monday 13 July 2020 in Committee Room B, Skills Park, NESCOL and via Zoom.

Present:	In Attendance:
Mr Simon Enoch (Chair) Mrs Lynn Reddick	Mr Mike Cheetham – RSM (Internal Auditors) Mrs France Rutter Principal and Group CEO Ms Maria Vetrone – Deputy Principal (Finance and General Purposes)
Observer: Mr Graeme Hodge (Staff Support Governor)	Mr. Nick Vaughan-Barratt Sandra Dessent– Clerk to the Corporation

23.19 | 1. Apologies for absence

No apologies for absence were received.

The Chair advised that the meeting would be conducted based upon the assumption that everyone had read the meeting papers.

24.19 | 2. Declarations of Interest

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

25.19 | 3./ 4. Minutes and Matters Arising from the meeting of 20th March 20

The Clerk to the Corporation apologised that the Minutes of the previous meeting on 20 March 2020 were not attached to the agenda and would be circulated after the meeting. The matters arising from the minutes regarding audit recommendations associated with Covid-19 arrangements were covered in items on the agenda.

A confidential item was tabled by the Principal and implications were discussed. It was agreed that a confidential briefing would be sent to all Governors detailing the facts and proposed course of action.

26.19 | 5. Internal Audit Reports

5.1 Learner Numbers System
The Committee considered a paper setting out the review outcomes of The ESFA’s funding involvement in 20 16-19 learners, 20 Adult Education Budget (EAB) learners and 20 post-May 2017 apprenticeships against the funding bodies’ audit methodologies for 2019-20.

The report highlighted a number of exceptions where Nescot has not complied with the Funding rules and the exceptions identified may result in errors in the funding being clawed back by ESFA.

As a result the Internal Audit Report had raised four medium priority recommendations and eight low priority recommendations.

It was noted that as the result of lockdown it had been difficult to access some of the information required however it was confirmed that there were no fundamental issues for concern and the Deputy Principal gave assurances that the recommendations would be implemented by the end of July.

5.2 Key Financial Controls
The report reviewed the financial controls for general ledger, cash and bank, payroll, procurement and payments and other income and debtors and concluded that NESCOL continued to implement a strong well designed control framework on key financial areas which were suitably designed, consistently applied and operating effectively.

The Internal Auditors awarded a 'green level' (substantial) assurance and raised one low priority recommendation.

5.3 Performance Review

The report detailed areas of the Staff Appraisals with the purpose of providing assurances that the College's staff appraisal system assists the College to retain a sufficiently skilled workforce. The areas covered were policies and procedures, personal development targets and monitoring, performance targets, staff appraisal quality and completeness and feedback and actioning.

The report concluded that the appraisal process was adequately designed and operating as planned. However, a significant number of appraisals had been completed late and subsequently an 'amber' (reasonable) level of assurance was awarded resulting in one medium priority recommendation regarding the timeliness of staff appraisals conducted by College managers.

It was noted that the medium priority level had been disputed by management and was reflected in the report.

The Principal advised the Committee that whilst the appraisal system provided a framework, Managers were encouraged to set targets throughout the year rather than waiting for appraisal meetings. However, it was agreed that in terms of providing assurance it was important that records were kept up-to-date.

5.4 Follow Up

The report purpose was for Internal Audit to independently follow up on progress made in the implementation of recommendations in the following areas; student journey, risk management and governance and key financial controls and subsequently made 3 medium and 3 low risk recommendations and concluded that the College had demonstrated good progress in implementing agreed management actions. It was noted that no new management actions had been recommended.

5.5 Progress Report July 2020

Following the approval of the 2019/20 internal audit plan in July 2019, this report provided an update on the progress against the plan and summarised the results of the Internal Auditors work to date.

It was noted that with the exception of Health & Safety (due to be completed in the first week in August) the Internal Auditors had delivered against the Internal Audit Plan.

5.6 Benchmarking of Internal Audit Findings in 2018/19

The aim of this paper was to provide benchmarking data that compared number of actions agreed and the assurance opinions provided in similar audits performed across the sector in the Internal Auditors client base.

The report provided an opportunity for the College staff to self-assess their performance and to their credit the comparisons revealed that NESCOL was able to affirm the status of a high performing College.

27.19 | 6.1 Management Follow Up

6.1 NESCOL Follow Up Schedule:

The Deputy Principal summarised the follow up schedule which detailed the management's update on the implementation of internal recommendations up to 2 July 2020. The recommendations were from previous years and 2019/20. It was reported that all recommendations had been implemented or superseded and worksheets had been closed for all years except 2018/19 and 2019/20.

For 2018/19 one recommendation remained outstanding in relation to subcontracting business cases and contracts and it was confirmed that the recommendation would be implemented by 31 July 2020 in accordance with the action plan.

For 2019/20 one audit recommendation was outstanding relating to Health & Safety. It was noted that the audit had been delayed due to the focus on the response to the pandemic and has been rescheduled to take place during the first week in August.

6.2 IT Strategy Review – Follow Up

Following a review commissioned by Governors to provide the Committee and the Corporation on the robustness of the IT Strategy, the status quo of the IT infrastructure and how the circumstances around the cyber-attack in October 2018 were managed, a number of recommendations were made.

The Committee was informed that recommendations had been implemented relating to the server and communication room maintenance, data storage, server performance/capacity monitoring, upgrading internet connection, internal firewall testing, remote access and IT disaster planning. All outstanding recommendations were scheduled to be implemented by the specified deadline dates.

It was recognised that due to the substantial efforts made by IT staff, a great amount of progress had been achieved in the past 18 months especially in response to the demands created by the pandemic and was much appreciated by all staff. The Chair expressed thanks to the Director of IT Services for a job well done.

It was noted that the ESFA required Cyber Essentials certification by July 2021 and work was progressing well in order to achieve it.

The Committee was advised that an IT Asset Review had been undertaken by the College and that all assets had now been tagged.

28.19 | 7. Internal Audit Plan

The purpose of the Internal Audit Plan was to provide the Committee and the Corporation with an independent assessment of the assurance needs of the College and a plan for providing independent assurances aligned with the College's strategic objectives and risks, enabling the Audit Committee to prepare its annual report for the Corporation.

An updated Internal Audit Plan had been prepared for 2020-21 (as part of the Internal Audit Strategy 2020/23) with specific focus on IT follow up and Staff deployment.

A total of 39 Audit days had been proposed at a total cost of £23,895 representing a daily rate of £615 (compared to 2018-19 £27,132 total cost and £646 daily rate for 42 days).

In addition a further assignment – an HR Health Check - had been included at no cost.

It was concluded that the Internal Audit Plan 2020-21 was aligned with the College Risk Register, and based on an analysis of the corporate objectives, risk profile, assurance framework and other factors with the potential to affect the College in the year ahead.

Accordingly, the Audit Committee considered and approved the Internal Audit plan for 2020/21.

29.19 | 8. Financial Statements Audit Strategy 2020

The Committee was asked to review the Financial Statements Audit Strategy 2020 which summarised the Auditor's approach to the audit of the College's financial statements for the year ending 31 July 2020. An initial planning meeting had been held between MHA MacIntyre Hudson (The College's external auditor) and the Deputy Principal to inform the approach.

The strategy outlined the key business, fraud and audit risks that would be focused on in the audit process and the audit approach. Their primary responsibility was to form an opinion as to whether the College's financial statements reflected a true and fair view of the state of affairs of the College at 31 July 2020.

The external auditors have anticipated an overall financial statements materiality (based on revenue balances) of £270K reached from the 2020 projected outturn.

The Deputy Principal confirmed that there were no further issues to report and it was concluded that the Financial Statements Audit Strategy 2020 was sufficient for management and Audit Committee purposes. It was also compliant with the requirements under the Internal Standards of Auditing and therefore approved by the Audit Committee.

30.19 9. Risk Management and Assurance Framework

9.1 Business Continuity Plan 2020

The updated Continuity Plan provided a framework for taking the College through the process of:

- Implementing immediate actions to ensure the safety of students, staff and visitors
- Recommendations to establish temporary arrangements for the recommencement of normal college activities as soon as possible
- The planning and actions required to establish mid to long term return to operational normality.

It was noted that major incidents (cyber-attack and pandemic) had informed the update although the changes had not been substantial from the previous version having been 'real-life' tested led by the College's Disaster Recovery Team and deemed effective.

The Deputy Principal confirmed that the plans were restricted and could only be accessed by the Disaster Recovery Team.

9.2 Strategic Risk Register

The intention of this report was to update the Audit Committee on movements in net risk and mitigating management action plans through the Strategic Risk Register. It contained one additional risk from the previous report which had been disaggregated from Risk 10 on the register, relating to the failure to achieve a positive QAA outcome for the College's Higher Education (HE) provision. It had been categorised at 'high' net risk.

The Committee noted the four significant risks which were summarised as follows:

- Risk 4: Failure to achieve ESFA 16-18 devolved AEB full cost, HE, High Needs, and apprenticeship recruitment targets may lead to significant reductions in funding, failure to achieve financial targets, loss of sustainability, and failure to achieve College's key strategic priorities.

In 2019-20 the College lost over £4m funding allocation, the impact of which was mitigated by stretching income targets and cost saving measures. Actions have been taken to stimulate demand and increase student numbers however it is anticipated achieving budget targets will continue to be challenging in 2020/21.

- Risk 18 – 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.

£600K pa of income from the Italian company ICOM (International College of Osteopathic Medicine) could be under threat due to Brexit, and in response management are working to review and re-design the courses as well as pursuing new international business

- Risk 23: Adverse changes in government policy and the external economic environment.
In response to the risk the College continues to develop and ensure implementation of key strategies alongside scenario planning for further reductions and additional restrictions for subcontracting. The College is also prepared for the potential adverse implications from Brexit.
- Risk 25: Failure to properly manage Apprenticeships and funding.
Apprenticeship provision will be continually reviewed with loss making provision being removed and the business model likely to be re-designed. The Sales Team continuing focus will be on the engagement of levy paying employers.

It was noted that Risk 2 – Failure of key information systems and loss of data has been reduced from ‘significant’ to ‘high’ (although the College management was still strongly focused on risk mitigation) and Risk 8 – the impact of Covid-19 possibly leading to serious long term disruption has been reduced from ‘high’ to ‘acceptable’ (the college maintains a separate detailed risk register for Covid-19).

It was recognised that despite continuing challenges the risks were being well managed by the management team who were able to react quickly and effectively in an ever-changing environment. However, it was acknowledged that the management team had been operating under pressure and at maximum capacity for some time, and there was a need to review the management structure and succession planning to ensure there was sufficient resource available to fulfil strategic objectives going forward.

9.3 Assurance Map

The Assurance Map provides a summary of the various independent and management assurances across the College’s identified strategic risks and follows a ‘three lines of defence’ model i.e. business, risk management and audit.

The map identified that assurance levels were ‘high’ for 23 of 26 strategic risk (compared to 22 out of 25 at the last report to the Committee). It was therefore concluded that the Audit Committee and the Corporation Board could continue to take a high level of assurance and confidence from the College’s assurance framework and risk management procedures.

31.19 10. Audit Guidance Documents

The report outlined the requirements set out in the ESFA College Accounts Direction used to inform the preparation of the College financial statements for the year ending 31 July 2020.

The relevant key changes from 2018-19 were set out mostly around new disclosure requirements, and it was confirmed that the College maintained a comprehensive and documented process, including timelines for the preparation and reporting of the statutory accounts and the submission of required documentation to the ESFA by 31 December.

32.19 11. Health & Safety Report

The report covered the 2019/20 spring term and it was noted that since March 2020 the main focus for the Head of Health & Safety had been managing the risks associated with the Covid-19 lockdown and restrictions. As a result the Committee were advised that an updated Health & Safety audit had been postponed and would now take place during the first week in August. It was acknowledged that opening the College safely for students in September was going to be a substantial challenge for the health & safety team.

33.19 12. Terms of Reference Review

The Clerk advised that the Terms of Reference had been reviewed and no changes were recommended, however the number of members needed urgent review to mitigate the risk of meetings not being quorate.

34.19 13. Fraud Statement

The Deputy Principal confirmed that she was not aware of any fraud or irregularities.	
35.19	14. Any Other Business
There being no other business, the meeting closed at 3.30pm	
36.19	15. Date and Time of Future Meetings tbc.
Friday 4 December 2020 – 9am	
Friday 12 March 2021 – 9am	
Friday 2 July 2021 – 9am	

Decisions:

1. The Committee approved the Internal Audit Plan for 2020/21
2. The Committee approved the Financial Statements Audit Strategy 2020

Signed Date

Simon Enoch
Chair of the Audit Committee