

## AUDIT COMMITTEE MEETING MINUTES

Date: Thursday 14 June  
 Venue: Board room, Poplar  
 Time: 5.30pm

<b>Chair</b>	Neil Yeomans
<b>Corporation Members</b>	Nazia Faiz
<b>Co-opted Members</b>	Thana Nathan
<b>Auditors</b>	Leisyen Kane - Internal Auditors (Scrutton Bland) Ashley Norman – Internal Auditors (TIAA Ltd)
<b>Officers</b>	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO Jamie Stroud – Finance Director
<b>Apologies</b>	Cynthia Griffin, Paul Goddard
<b>Minutes</b>	Elsa Wright – Director of Governance

Item No	Item of business
1.	<b>Welcome and Introductions</b> The Chair welcomed everyone to the meeting.
2.	<b>Apologies for Absence</b> Cynthia Griffin and Paul Goddard had sent apologies which were accepted by the committee.
3.	<b>Declaration of Interests</b> None received.
4.	<b>Minutes of the Last Meeting Held on 3 March 2022</b> The minutes of the meetings were <b>agreed</b> as drafted.
5.	<b>Matters Arising and Action Points from the Meeting</b> The Deputy CEO confirmed that the cyber audit had taken place and the report was on the agenda. The ESFA claim was in relation to pre-merger activity which NCC discovered at merger and the ESFA had taken a long time to complete the work. The College would have to repay £48k and it was provided for in the budget.

### ITEMS FOR DISCUSSION, DECISION OR ACTION

6.	<b>Internal Audit Assignment Reports</b>  The internal auditor introduced the reports covering Health and Safety and Cyber Security. There was <b>reasonable assurance</b> for the health and safety audit and good practice and consistency had been seen with a few areas where further work was needed. There were two medium and two low risk recommendations. The medium risks were around risk assessments and inconsistency. There was a timeline for completion and review and a consistent approach across the college group had been agreed. Staff were now completing this on a regular basis and it was checked by a trained member of staff. Accidents and incidents had not been logged consistently and investigations had not always been timely or documented. There was a detailed management response against both recommendations.
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	<p>The Deputy CEO explained that there was task-based risk assessment which was workshop based and the College had moved a long way from where it had been. Housekeeping and standardisation were now in place and needed to be consistent. Risk assessment was completed for any course or activity students were undertaking such as plumbing, or engineering with high risk equipment. It was completed for every new piece of equipment. It was a fair report. The Deputy CEO confirmed that there had been one RiDDOR reportable accident which would be reported to F&amp;GP next week.</p> <p>There was a discussion about near misses. If they were captured and investigated they could inform the College about what might happen and how to prevent it. Governors asked about risk assessment around Display Screen Equipment. There was a rolling programme of mandatory training for all staff which included DSE. Students used equipment in different places but this was covered in induction. Registers would show where students had missed these sessions. All governors had been asked to complete the online health and safety module. There would be a session at the next Strategy Day on the Board's responsibility for health and safety.</p> <p>There was <b>good assurance</b> for Cyber security which was higher than most clients in the sector and was a very positive outcome. There were no significant weaknesses in the framework and the College was developing policies on patch management, enabling network audit logs, and developing a backup testing schedule for back up servers. Governors asked about remote access and whether there was one access point or if each campus had its own. The Deputy CEO explained that port scans were conducted with each campus tested separately with a blanket firewall. The College completing a lot more than was in the policy. There was a good team in place. The Deputy CEO confirmed that there had been some penetration testing. The College had reviewed unsuccessful access attempts on a case by case basis and then a block put in place. The audit work had been conducted by a specialist IT specialist auditor. The importance of actively reviewing logs was discussed. The Chair thanked the IA for the report and congratulated the IT team on their work.</p>
7.	<p><b>Attempted Fraud</b></p> <p>The Deputy CEO updated the committee. There had been no fraud attempts since the last meeting</p>
8.	<p><b>Post Audit code of practice</b></p> <p>The changes were set out on page 5 of the document. There was nothing fundamental in the changes. The section on fraud was updated every year and checks and questionnaires asked to complete. This was confirmed by the external auditor.</p> <p>The committee noted the update.</p>
9.	<p><b>Self assessment questionnaire</b></p> <p>The questionnaire had been completed ahead of time and the Deputy CEO would confirm any changes in September. There were no significant changes from the previous year and the document provided an update on the regularity work that the College undertook</p>

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	<p>internally. This document was the starting point and assertions. The committee was content with the document, subject to any changes before the end of the year.</p> <p><b>Action – Deputy CEO to report any changes to September meeting before final sign off at the Corporation meeting in November</b></p>
10.	<p><b>External Audit Plan 2021/22</b></p> <p>The External Auditor presented the plan. The approach was in line with the previous year. There had been little change to the Audit Code of Practice, reporting framework and Accounts Direction. The audit was risk based driven by college activity and inherent risks under the auditing standards. The plan had been discussed with the team and would include the financial statements audit and regularity assurance as set out on page 5 of the report. The timeline was in page 4.</p> <p>Appendix 1 showed a summary of the Accounts Direction changes. The EA confirmed that the narrative in the accounts was non-statutory. The CEO stated that it was important to ensure that there were references to items to which the Board and Accounting Officer were held to account. This related to the operating position rather than just the statutory position and should draw out the key elements. The pension position should improve as discount rates went up but this was an area over which there was no control.</p> <p>The key issues of audit significance identified at the planning meeting included financial sustainability. The College was in a strong financial position but pressure from issues such as claw back, pay and pension, utilities and inflation could all impact on this. These would all be reviewed as part of the going concern assessment. The ability to realise cash would also be considered. This was an important part of the College’s own assessment but the External Auditor was not unduly worried</p> <p>As part of the audit, the team would review capital projects to ensure correct accounting and accrual. They would check to ensure the fixed assets register was up to date and that cut off dates had been adhered to. Recommendations from the previous year would be reviewed.</p> <p>Page 9 of the report looked at the approach to regularity and management override of controls. There had been some changes in finance team but the senior members were unchanged. Governors were reminded of the change made last year which confirmed that auditors could no longer rely on ESFA statements on funding. The report set out the approach to reviewing this which was in line with the work undertaken in 2021. This would include looking at systems and processes. There had been significant clawback at some colleges but the draft report for NCC was positive with no clawback. The team would need to ensure that the College had reached the 97% threshold for the academic year</p> <p>Page 12 of the report set out the approach to related party transactions and the fee appraisal was on page 13 which was in line with expectations.</p> <p>The Teachers’ Pension scheme audit would look at contributions to the scheme to ensure that the correct amounts had been calculated and paid across. There would be an audit of New City Fitness Ltd and OKN1 as wholly owned subsidiaries of the College. There was no change to the engagement letter which was updated every three years,</p>

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	<p>Governors asked whether there was a plan for income diversification. The CEO confirmed that there were three sources which included rental income of around £ 1.4m, increasing commercial income and trading companies including the international school at Bournemouth. It had been prudent during COVID to not be exposed too much as those colleges with large commercial income had suffered the most. This would be reviewed at the F&amp;GP committee and could be shared with members. The management accounts were on the Board portal and the Deputy CEO could talk members through them, if required.</p> <p>The committee accepted the report and the approach to the external audit. The Chair thanked the External Auditor for her report.</p>
<p><b>11.</b></p>	<p><b>Committee self-assessment</b></p> <p>All members were asked to complete and return the form by 30 June to feed into the annual report.</p> <p><b>ACTION – All members to complete and return</b></p>
<p><b>12.</b></p>	<p><b>Terms of reference</b></p> <p>There were no changes proposed. This had been reviewed against the update Code of Practice. There were currently 4 members and the Search and Governance committee would be asked to look for additional members as part of the recruitment process.</p> <p><b>ACTION - The Committee agreed the terms of reference and recommended them to the Corporation for approval.</b></p>
<p><b>13.</b></p>	<p><b>Internal Audit Plan 2022-23</b></p> <p>The Chair welcomed the new internal auditor to the meeting. The plan had been discussed in draft with the Deputy CEO and Chair.</p> <p>This was a three-year strategy. The key risks identified across the sector were cyber security, staff shortages and sustainability. Appendix A was the rolling strategic plan which set out the type of audit and the rationale for the review. It was linked to both risk mapping and regulatory requirements and showed how this would be covered over the three-year period. Areas such as finance and apprenticeships would be audited each year and others would fall into the cycle. The previous audit coverage was also shown (Appendix B) to ensure there was continuity. Appendix C gave more detail on the annual plan for 2022/23 and Appendix D covered the internal audit charter. The programme should give the Board the assurance that it needed.</p> <p>The Chair asked how the College would ensure that previous IA recommendations were completed. The Deputy CEO confirmed that this would be covered at the September meeting. There were not many outstanding recommendations. An extra day could be used if this was needed.</p> <p>The Chair asked for an additional column in the Audit universe document which showed other sources of assurance if they did not come from the work of the IA. This would ensure</p>

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	<p>that the committee saw the full picture. The plan would be kept under review and it was important to get the first year right.</p> <p>It was important to ensure that there was sufficient time to complete the work to give the board assurance. The number of days had been looked at and there was some flexibility in the programme for additional work, if required to ensure there were no gaps. If new areas of risk arose or there was an incident there was the flexibility to review it. The Internal Auditor confirmed that he took a flexible approach. It was key to ensure that each audit was properly scoped and discussed with the manager involved. Scheduling was hard but the Deputy CEO and his PA would sort this out.</p> <p>The Chair thanked the new Internal Auditor for the plan and looked forward to receiving his first report.</p> <p><b>ACTION – additional column to be added to audit universe document for other sources of assurance</b></p> <p><b>ACTION – previous recommendations to be reviewed at September meeting</b></p> <p><b>ACTION - The Committee recommended the internal audit plan to the Corporation for approval</b></p>
14.	<p><b>Date of next meeting</b> 22 September tbc</p>
15.	<p><b>Any Other Business</b></p> <p>The CEO reported that the ONS had announced a review of the classification of FE colleges. This had been triggered by the Skills Act. There were risks for the College in any change of status. Reclassification to the public sector would affect asset disposal, the ability to borrow and any capital projects. Potentially the College would be able to reclaim VAT back and be funded for the National Insurance increase. However, there could be a huge impact on the way Boards operated and potentially a change to year end. There would be the need to revisit risk and controls if there was a change but there was no fixed date for a decision.</p> <p><b>ACTION – Review risk and control implication once outcome was known</b></p>
16.	<p><b>Confidential items</b></p> <p>The minutes were agreed as drafted.</p> <p>The meeting ended at 6.45pm</p>

