



**MINUTES OF THE AUDIT COMMITTEE OF THE
NORTH EAST SURREY COLLEGE OF
TECHNOLOGY FURTHER EDUCATION
CORPORATION HELD ON FRIDAY 22 JUNE 2018 AT
09.00 IN THE BOARD ROOM (SP216)**

PRESENT	IN ATTENDANCE
Dr Martin West (Chair) Mr Graeme Hodge Mr Kabir Shaikh	Ms Laura Raynes – RSM Ms Frances Rutter - Principal Ms M Vetrone - Deputy Principal, Finance & Resources
Attendance = 100%	Mr D Round - Clerk to the Corporation

31.17	PRE-MEETING BETWEEN MEMBERS OF THE COMMITTEE AND COLLEGE OFFICERS ONLY
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The Chair confirmed there were no matters for discussion.

32.17	APOLOGIES FOR ABSENCE
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Maureen Kilminster tendered her apologies.

33.17	DECLARATIONS OF INTEREST
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Ms Rutter declared an interest as an unremunerated director of NBS Ltd, a wholly-owned subsidiary of NESCOT.

34.17	MINUTES
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The minutes of the meeting held on 15 March 2018 were approved as a correct record.

35.17	MATTERS ARISING
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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.

It was advised that as the MOT and Valeting commercialisation projects were not being progressed there was no necessity to take formal advice.

23.1 ASTM Audit Report

The Committee was advised that the performance of the first year HND Business cohort had been very satisfactory with 93% retention and 88% progression to year 2. 90 students had been enrolled for the new 2018 cohort.

36.17	INTERNAL AUDIT REPORTS 2017/18
36.1 Learner Numbers Systems	<p>RSM introduced the report noting the following key points: -</p> <ol style="list-style-type: none"> 1. Learner number systems was a standard annual Assignment; 2. The audit sampled students from different funding categories i.e. 16-18 learners, apprenticeship adult learners and adult education budget learners; 3. The objective of the audit was to establish whether the College complied with current funding rules and to provide assurance on the controls and mitigations in place to ensure that funding data is complete and accurate and informs management's decisions; 4. The report found that <ul style="list-style-type: none"> ‘...we have identified a number of exceptions where NESCOL College has not complied with the SFA Common Funding Rules 2017-18, Adult Education Budget Funding Rules 2017-18, Apprenticeship Framework Funding Rules 2017-18 and the EFA Funding Regulations 2017-18 (‘the Funding Rules’). The exceptions identified have resulted in errors in the funding being claimed...’; and 5. One ‘high’ priority recommendation, two ‘medium’ and four ‘low’ priority recommendations were made. <p>The College had accepted the recommendations of the auditors and noted the risks identified. The College regarded the risk as low. The Chair asked that provision for any potential claw back of funding be considered and included in next year's budget.</p> <p>(ACTION: MV)</p> <p>The Deputy Principal commented that some of the audit findings reflected issues identified in the apprenticeship audit report which was yet to come before the Committee. This was an adverse report which was a matter of major concern for the senior management team. Decisive action was being taken in relation to the management of data and systems and processes in the apprenticeship area. The area had been put into ‘intensive care’ and managers were required to attend SMT on a monthly basis to report on progress in addressing issues.</p>

date of 28 August. The Committee recognised that this was a major piece of work with significant risks. The Deputy Principal confirmed that the Chair would be notified if the project was at risk of overrunning **(ACTION: MV)**.

38.17**INTERNAL AUDIT PLAN 2018/19**

RSM in consultation with the College proposed an internal audit plan for the following year which was risk based and took account previous audit work.

Audit area	No of audit days
Student journey and experience	7
Information Technology	8
Subcontracting	6
Learner number systems	8
Governance and risk management	4
Key financial controls	6
Follow up	2
Audit management	6
Total audit days	47

Members of the Committee asked whether work would be undertaken on GDPR compliance as the fines for non-compliance were significant. It was noted that an audit assignment was due to take place at the end of the current academic year and would be reported to the autumn meeting of the Committee. The College was undertaking a considerable amount of work on GDPR and weekly reports were being taken to SMT. There was mandatory training for all staff. The Committee noted the outstanding audit recommendations and requested that the College and RSM look at whether further follow up work was required in relation to commercial activities **(ACTION: MV)**. It was also recommended that consideration be given to including higher education within the scope of the student journey assignment **(ACTION: MV)**.

RESOLVED: that the internal audit plan for 2018/19 be **APPROVED**.

39.17**DRAFT EXTERNAL AUDIT STRATEGY 2017/18 ACCOUNTS**

The strategy for the external audit of the 2017/18 accounts was presented to the Committee. The Committee queried whether the figure for materiality was correct **(ACTION: MV)**. It was noted that the College's external auditors (MHA) undertook their own review of work undertaken by internal auditors although audit standards stated that they should not rely on opinions expressed in the internal audit reports. The view of the College was that MHA's work was robust and challenging. The external audit contract had been externally tendered last year.

RESOLVED: that the external audit strategy be **APPROVED**.

40.17	RISK MANAGEMENT AND RISK ASSURANCE FRAMEWORK																		
40.1 Strategic Risk Register	<p>The Committee noted the areas of significant risk and the changes in risk assessments.</p> <table border="1" data-bbox="550 481 1460 952"> <thead> <tr> <th>Net risk category</th> <th>Number of net risks in category at last report</th> <th>Number of net risks</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>5</td> <td>3</td> </tr> <tr> <td>Acceptable</td> <td>5</td> <td>6</td> </tr> <tr> <td>High</td> <td>5</td> <td>4</td> </tr> <tr> <td>Significant</td> <td>8</td> <td>8</td> </tr> <tr> <td>Totals</td> <td>23</td> <td>21</td> </tr> </tbody> </table> <p>The risk profile was unchanged since the previous report. The significant risks were: -</p> <ul style="list-style-type: none"> • Risk 2 - The failure of key information systems and loss of data for long periods of time in the event of a disaster or serious outage may result in loss of business continuity and damage to reputation • Risk 4 - Failure to achieve funding body and apprenticeship recruitment targets may lead to significant reductions in funding. • Risk 6 - Non-compliance with Health & Safety, Safeguarding, Equalities legislation, GDPR, and other legal requirements may lead to legal action against the College, poor regulatory body judgements, unplanned costs, and damage to reputation. • Risk 14 - Failure of the curriculum offer to meet the needs of regulatory bodies, learners and employers in an increasingly competitive market. • Risk 15 - Failure to develop and implement effective and robust business plans for international business. • Risk 19 - Adverse changes in government policy and the external economic environment. • Risk 20 - Failure to properly manage the College's commercial activities. 	Net risk category	Number of net risks in category at last report	Number of net risks	Low	5	3	Acceptable	5	6	High	5	4	Significant	8	8	Totals	23	21
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<p>40.2 Risk Assurance Framework</p>	<ul style="list-style-type: none"> • Risk 23 - Failure to properly manage the Government's reform of Apprenticeship provision and funding. <p>The Committee welcomed the focus in the risk register on the curriculum offer. It wasn't always clear that the offer was being refreshed regularly leading to a failure to capture new opportunities and respond to industry demand. The Principal added that the curriculum planning process was being revised to support curriculum areas to make more effective use of labour market information and to connect with employers in their sectors.</p> <p>The Committee noted that the risk register reflected honest and robust assessments by the College. English and maths GCSE resit results remained an area of significant concern and one where major improvement was required. The College was pleased to report that more students had sat the examinations this year (94% in English). Predicted grades were broadly comparable to last year. This year students would be sitting the new 9-1 specification. The College had decided to teach through the summer term half term so that students had every opportunity to prepare for the exams. This year GCSE revision classes had been offered during half term.</p> <p>It was noted that the Chair, Vice Chair, Principal and Clerk had recently visited Dudley College of Technology in the midlands. The College was inspected last year and assessed by Ofsted as Outstanding. GCSE resit results were exceptionally good at Dudley (56% and 72%) and the reasons for this performance were discussed by the Committee.</p> <p>RESOLVED: that the strategic risk register report be noted.</p> <p>The updated risk assurance map was presented. The risk assurance map described the independent and management assurances in relation to the College's strategic risks. It demonstrated that the Committee continued to receive a high level of assurance overall in relation to the College's arrangements for the management of strategic risks.</p> <p>RESOLVED: that the risk assurance map be noted.</p>
<p>41.17</p>	<p>AUDIT GUIDANCE DOCUMENTS</p>
<p>41.1 Post-16 Code of Audit Practice 2017/18</p>	<p>The Committee noted the changes to audit guidance which applied retrospectively to the current year. The change that staff</p>

<p>41.2 ESFA College Accounts Direction for 2017/18</p>	<p>governors should not be a member of the Audit Committee was highlighted, although this did not prevent the staff governor being in attendance at meetings. It was felt that the staff governor can provide an additional perspective on the effectiveness of internal controls and risk management.</p> <p>RESOLVED: that the Post-16 Audit Code of Practice be noted.</p> <p>The updated ESFA College Accounts Direction for 2017/18 was noted.</p>
<p>42.17</p>	<p>HEALTH AND SAFETY REPORT</p>
<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. The College had stepped-up student bag searches which were periodically conducted on all students entering the College. The Committee noted the need to ensure that searches were proportionate, intelligence-based and non-discriminatory.</p> <p>The College worked closely with the fire services and the fire risk assessment was noted. The Committee welcomed the more detailed reporting of accident statistics.</p> <p>RESOLVED: that the Health and Safety report be noted.</p>	
<p>43.17</p>	<p>TERMS OF REFERENCE REVIEW</p>
<p>The Clerk introduced the proposed amendments to the Committee's terms of reference: -</p> <ol style="list-style-type: none"> 1. To make explicit reference to the requirement of the new regulator for higher education – the Office for Students – that the Audit Committee gives an opinion about the adequacy and effectiveness of arrangements for securing value for money from public grant funding; 2. To reference the role of the Office for Students; and 3. To exclude from membership of the Committee all staff governors – this requirement is published in the Post-16 Audit Code of Practice. <p>RESOLVED: that the terms of reference of the Audit Committee as amended be approved and commended to the Corporation for adoption.</p>	
<p>44.17</p>	<p>FRAUD STATEMENT</p>
<p>The Deputy Principal advised the Committee that no allegations of fraud or corruption had been raised during the year and there were no associated matters to be drawn to its attention.</p>	

45.17	ANY OTHER BUSINESS
There was no further business and the meeting closed at 11.00am.	
46.17	DATE AND TIME OF NEXT MEETING
<p>Date and time of Future Meetings (tbc):</p> <p>Friday 07 December 2018 11.00am Friday 15 March 2019 09.00am Friday 21 June 2019 09.00am</p> <p>It was also AGREED to hold an additional meeting to consider those audit reports carried over from the internal audit programme. If possible this should be scheduled to be held on the same day as the first Corporation meeting in the autumn term (ACTION: CLERK).</p>	

Signed Date

Dr Martin West, Chair of the Audit Committee

Author	David Round
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