

**AUDIT COMMITTEE MEETING
MINUTES PART**

Date: Thursday 26 September 2019
Venue: Tower Hamlets Campus – G20
Time: 8:30am

Chair	Neil Yeomans
Corporation Members	Gareth Wall, Marina Antoniou
Co-opted Member	Thana Nathan
Auditors	Paul Goddard and Leisyen Keane - Internal Auditors (Scrutton Bland) Stephen Lucas - External Auditors (KPMG)
Officers	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO David Holmes: COO
Minutes	Rhiannon Thomas

Item No	Item of business
1.	Apologies For Absence Apologies received from Gerry McDonald and Fiona Chalk. Non-attendance from Gareth Wall.
2.	Declaration of Interests None received.
3.	Minutes of the Last Meeting Held on 25 June 2019 The minutes were signed as a true and accurate recording of the meeting.
4.	Matters Arising and Action Points from the Meeting <u>Data Protection Officer</u> The Data Protection Officer role for NCC will be undertaken by an external person, the previous Deputy CEO.

ITEMS FOR DISCUSSION, DECISION OR ACTION

5.	<p>Internal Audit Assignment Reports</p> <p>The Committee referred to the Internal Audit reports produced by Scrutton Bland.</p> <p><u>Merger Project Management</u> – 01.07.19 – Significant assurance received. No comments made by the Committee.</p> <p><u>Funding</u> – 10.07.19 – Significant assurance received. No comments made by the Committee.</p> <p><u>Health & Safety</u> – 12.07.19 – Limited assurance received. The Committee discussed the completion of the risk assessments. Management gave assurance that there was a significant level of compliance on the completion of risk assessments for areas identified as high risk.</p> <p><u>Creditor Payments</u> – 23.07.19 – Significant assurance received. The Committee discussed the level of delegated authority and management provided assurance that the level of delegated authority on Government Procurement Card (GPC) expenditure was monitored through monthly reviews by line managers and the Finance team. It was agreed that these monitoring reviews would form part of the scope of the work when IAs next report on this area.</p> <p><u>Capital Projects</u> – 24.07.19 – Reasonable assurance received. No comments made by the Committee.</p>
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	<p><u>Subcontracting & Partnerships</u> – 24.07.19 Reasonable assurance received. The Committee sought assurance from management that the subcontracting rules from the funding councils were being followed and actions indicated to be completed by August 2019 were in place – management were able to confirm.</p> <p><u>GDPR</u> – 31.07.19 – Limited assurance received. Management provided assurance that high risk data areas were compliant however further work is required in low risk areas, this work will be completed by October 2019. The Committee requested data on staff training for the next meeting.</p> <p>Discussion took place on how staff are kept up to date with changes in technology, management confirmed that the College encourages staff to use formal communication channels.</p> <p><u>Business Continuity</u> – 01.08.19 – Reasonable assurance received. Management provided the Committee with assurance that business continuity plans were in place, with the Lockdown Epping plans being used as the best process being replicated across all sites. Further work to be carried out includes a new telephone system with speakers for announcements at all other campuses.</p> <p>The Chair questioned if plans are in place to cover the unavailability of premises, and that key staff are aware of the plans. Management confirmed that in the event of a premises being unavailable, staff and students will be relocated to the nearest campus. The Committee requested that the procedures were detailed in the plans.</p> <p>MA left the meeting.</p>
6.	<p>Annual Internal Audit Reports</p> <p>The Committee referred to the Summary of Findings Year Ended July 2019 and the number of recommendations:</p> <ul style="list-style-type: none"> • NCC – 77 • HSFC – 36 • HGFE – 13 <p>NCC Annual Report</p> <p>IAs undertook 14 assignments in year and provided one strong, four significant, six reasonable and two limited assurance opinions. There were no ‘no assurance’ opinions given. The IAs raised three high risk recommendations relating to Apprenticeships, Health & Safety and GDPR. They raised 28 medium and 37 low risk recommendations.</p> <p>NCC Internal Audit opinion for the year ended 31 July 2019, the College:</p> <ul style="list-style-type: none"> • Has adequate and effective risk management processes • Has adequate and effective governance processes • Has adequate and effective control processes, notwithstanding the adverse findings within the audits relating to Health & Safety, GDPR and Apprenticeship Off the Job training. • Has adequate and effective processes regarding efficiency and effectiveness <p>During the year, data quality audits were undertaken on:</p> <ul style="list-style-type: none"> • Funding 16-18 and 19+ – Significant assurance • Funding Apprenticeships – Significant assurance • GDPR – limited assurance <p>The IAs are of the opinion that the college has adequate and effective processes surrounding data quality, notwithstanding the work required to embed the requirements of GDPR.</p>

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	<p>The number of planned days agreed by the Audit Committee and Corporation was 115. 111 actual days were completed. 3 days relate to the cancelled Quality Assurance audit and one contingency day. These days will be carried forward into the 2019/20 academic year.</p> <p>Benchmarking data showed NCC to be 10% below the sector average for audits with strong assurance, 20% below the sector average for significant assurance, 20% above the sector average for audits with reasonable assurance and 10% above the sector average for audits with limited assurance. For the category of recommendations, NCC is over 10% above the sector average for medium recommendations and over 10% below the sector average for low recommendations.</p> <p>HSFC Annual Report</p> <p>The IA's opinion is that the college maintained a robust framework of internal control. No limited or no assurance opinions were raised in the year. There were no high risk recommendations, six medium risk recommendations including for IT infrastructure, disadvantaged and high needs funding, business continuity and health & safety. None were significant enough to prevent a position opinion being provided by the IAs. The number of days completed was 23.5.</p> <p>HSFC Internal Audit opinion for the year ended 31 July 2019, the College:</p> <ul style="list-style-type: none"> • Has adequate and effective risk management processes • Has adequate and effective governance processes • Has adequate and effective control processes • Has adequate and effective processes regarding efficiency and effectiveness <p>HCFHE Annual Report</p> <p>There were only a limited number of audits carried out at HCFHE during 2018/19, which included: Payroll – significant assurance GDPR – limited assurance Apprenticeships – limited assurance</p> <p>These gave rise to 4 high risk recommendations, 4 medium risk recommendations and 5 low risk recommendations.</p> <p>The Committee raised concerns that the HCFHE having had only 3 IA reports, was insufficient for the sign-off required. KPMG, as they were present, informed the Committee that the minutes of the Havering Audit Committee that took place in June 2019 reflects the debate and discussions regarding the audits and provided further assurance.</p> <p>As new external auditors, KPMG undertook an initial understanding of systems, testing and mapping of the core processes as part of their interim work for the external audit opinion.</p> <p>The Committee required further assurance for the HCFHE, from management, by 15 October 2019.</p> <p>KPMG agreed to provide a significant findings report for the HCFHE for the interim audit carried in July as external auditors.</p> <p>The Chair agreed to consider whether the Statement for Corporate Governance and Internal Control for 2018/19 will include the notwithstanding the adverse findings of the IA opinions for NCC.</p>
7.	<p>IA Plan 2019-20</p> <p>The annual plan along with the 3-year indicative plan were noted.</p> <p>The Committee confirmed that they were in agreement with the plan.</p> <p>Management requested that the Staff Performance Audit be cancelled, the Committee agreed as the work on lesson observations was covered as part of the Ofsted monitoring visit in June 2019. It was</p>

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	<p>agreed that this would be cancelled and not be replaced with an alternative audit, with the dates being available to use later in the year.</p> <p>The Committee requested that the High Risks Register table in the Internal Audit Assurance Strategy & Annual Plan 19/20, include the risk numbers listed in the college's risk register.</p> <p>The Committee reviewed and agreed the Risk and Assurance briefs for:</p> <ul style="list-style-type: none"> • Employer engagement • Marketing • Key financial controls: payroll • Staff performance management <p>The committee requested that where the brief covered a specific risk in the Risk Register, that the testing performed specifically addresses 'existing controls/mitigating procedures' listed in the Risk Register where they can be tested. Consideration should be given to rewording them if they cannot be tested as written.</p>
8.	<p>Risk Management & Board Assurance Report</p> <p>Management agreed to circulate Board Assurance Reports prior to Audit Committee for review, with the NCC report to include the Havering Colleges.</p> <p>Discussion took place regarding the risk registers for significant projects such as the Poplar development, which is monitored by the Property Committee. The Audit Committee requested that they are made aware of any concerns raised by the Property Committee on the risk, and that there were effective reporting mechanisms for the Audit Committee to have adequate oversight.</p> <p>Management informed the Committee that the risk management process and the risk register are currently being reviewed post-merger and in readiness to develop a revised risk register to support the 2019-22 strategic intent document.</p> <p>The updates to the risk register since July 2019 were noted – no gross and net risk ratings have been altered, with added controls for enhancement.</p> <p>Management highlighted that the process to review the risk register to take into account the different practices at NCC and the Havering Colleges has commenced and will conclude next month, for proposal to the Committee.</p> <p>There were 13 High risks, 17 Medium risks and 6 Low risks noted.</p>
9.	<p>Business Continuity / Disaster Recovery Strategy update</p> <p>The Committee noted the summary of activity that has taken place since the last meeting:</p> <ul style="list-style-type: none"> • Housekeeping items identified in the IA report have been rectified. Further work, including the Havering Colleges, will be undertaken by the working group in October 2019. • Lockdown procedures will be reviewed by the working group across all campuses with the introduction of a new telephone system across the group. Testing of procedures will commence when this is in place • IT disaster recovery plans are in place and the Havering Colleges' plans will be reviewed next month <p>Management confirmed that further work based on the IA report will be carried out between now and the end of November.</p>
10.	<p>Regularity Audit Self-Assessment Questionnaire</p> <p>The self-assessment questionnaires for NCC and the Havering Colleges, which provide evidence to the external auditors on compliance with regularity requirements against the funding bodies financial memoranda, were noted. There were no material weaknesses within the reports.</p>

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	<p>The external auditors, KPMG, confirmed to the Committee that the questionnaires will be tested during the external audit, and that they will provide negative assurance.</p> <p>The Committee requested that the questionnaires for the Havering Colleges are reviewed for formatting purposes; Management confirmed that all Colleges are compliant.</p> <p>Management informed the committee that the HSFC will remain with Buzzacott as their external auditors, the scope presented to the Havering Audit Committee in June 2019 to be circulated.</p> <p>The final Self-Assessment questionnaires would be considered at Corporation for approval.</p>
11.	<p>Whistleblowing Annual Report</p> <p>Management reported that during the last year there were no qualifying disclosures at NCC, HSFC and HCFHE which is quite common in the sector.</p> <p>It was noted that the ESFA has a procedure for receiving whistleblowing matters directly from College staff, and there are procedures under Fraud and Grievance processes which could be used as an alternative.</p> <p>Management informed the Committee that the College have a Whistleblowing policy in place which will be reviewed in 2 years time.</p> <p>The committee requested clarification between qualifying and non-qualifying disclosure. Guidance will be circulated to Committee members.</p>
Internal Auditors (Scrutton Bland) are asked to leave for this part of the Audit Committee Meeting	
12.	<p>Internal Audit Performance Review</p> <p>The Committee referred to the completed Internal Audit Services Performance Review questionnaire.</p> <p>It was agreed that the scoring for 'Did the auditors attend audit committee meetings and deal with queries raised at the committee adequately?' would be amended from a score of 2 to 3.</p> <p>Discussion took place regarding the IA reports being reduced, with a review at a later date.</p> <p>The Committee requested management to provide a summary of reports and assurance opinions, with a report of recommendations only.</p> <p>The Committee stated that management must ensure the auditors are meeting the College's requirements.</p> <p>The Committee agreed for the auditors to be given a 'Sector Update' agenda item at Audit Committee to provide the Committee with sector knowledge.</p> <p>The Committee suggested where auditors provide specialist public sector forums and events, to share knowledge and benefit from their experience, these should be covered in the sector update.</p>
13.	<p>AOB</p> <p><u>Brexit</u></p> <p>The Committee queried the impact Brexit would have on the College.</p> <p>Management informed the Committee that:</p> <ul style="list-style-type: none"> • The key impact would be on funding, if funding policies were changed in year, considered highly unlikely • Colleges have been given reasonable assurance that there would be no changes in-year.

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	<ul style="list-style-type: none"> • EU staff at NCC were made aware over the last year of any government pronouncements in regard to support on any settlement schemes. • OfS have confirmed that student loans for this year and next year would be funded for EU nationals. • There was sector wide generic guidance provided by AoC. • Curriculum planning to be undertaken in November 2019 would consider the need for learner requirements based on any funding changes. • Some European grants such as Erasmus and the European Social Fund have been guaranteed by the government to continue for two years. <p>The Committee stated that the College should have a plan in place for Brexit.</p> <p><u>Committee Membership</u></p> <p>The Committee questioned if the Audit Committee requires additional members, the Chair to raise with the Director of Governance.</p>
14.	<p>Date of Next Meeting</p> <p>The next Audit Committee will take place on the 5 December 2019 – joint meeting with F&GP.</p>