

**AUDIT COMMITTEE MEETING
MINUTES**

Date: Wednesday 21 March 2019
Venue: Tower Hamlets Campus – G20
Time: 8:30am

Chair	Sue Williams
Corporation Members	Neil Yeomans
Co-opted Member	
Auditors	Internal Auditors (Scrutton Bland)
Officers	Suri Araniyasundaran: Deputy CEO
Director of Governance	Fiona Chalk

Item No	Item of business
1.	<p>Chair’s Welcome & Apologies for absence There were apologies from Paul Winrow and Gareth Wall. John Houston was absent.</p> <p>The meeting was not quorate. Those present agreed to discuss the reports but no recommendations on any agenda items would be made to the Board. Items 6 and 7 will be presented to the Board for a decision.</p>
2.	<p>Declaration of Interests None.</p>
3.	<p>Minutes of the Last Meeting Held on 6 December 2018 As the meeting was not quorate, the approval of the minutes will be held until the next quorate meeting.</p>
4.	<p>Matters Arising and Action Points from the Meeting</p> <ol style="list-style-type: none"> 1. MIS Governors noted the update, and that the core MIS system for student records is integrated and in place for all Colleges. All returns to the funding councils are managed by the MIS team, for all government funding streams. Work is now underway on integrating MIS systems at the Havering Colleges into NCC. This is one of the work streams within the overall project team set up for the merger. This work is allowing effective reporting to funders and SMT. The team are looking forward to work with Havering to bring them onto the system from 1st August 2019. 2. Governors asked that where there has been internal audit review, it should reference the relevant Risk Register item on the report, to which it pertains. 3. The three-year IA plan will be presented to the June meeting. <p>It was noted that all other actions identified in the action plan for this meeting were on the agenda.</p>
ITEMS FOR DISCUSSION, DECISION OR ACTION	
5.	<p>5.1 Internal Audit Reports <u>Learner Recruitment</u> A mystery shopping exercise was undertaken for responses to enrolment. No assurance was given on this item. The quality of responses and level of communication provided to the telephone exercise varied across the campuses. Recommendations for improvement were noted. Governors stated their disappointment as student numbers are a key element of the success and sustainability of the college. Staffing issues are ongoing, but this service may well go to centralisation through a staff restructure. This process will</p>

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	<p>be accelerated to take place before July. A new telephone system to manage the issues arising, is currently being tendered for. Online applications are now all responded to by an automated response and in a timely manner.</p> <p>Governors suggested that a mystery shopping exercise could be undertaken internally after these changes have been fully implemented. It was noted that this exercise could incorporate the college's competitors, to benchmark against.</p> <p><u>Student Retention</u> Reasonable assurance given. 2 medium and 6 low risks. The recommendations for the medium risks were noted as:</p> <ol style="list-style-type: none"> 1. Produce an overarching policy on student retention and progress with KPIs clearly stated. 2. Timeliness of register completion and expectations on staff to remedy inconsistencies of when registers are being completed <p>The volume of registers is large but if there is a rogue staff member, they are picked up promptly and identified. Less than 1% were not handled according to the policy. Management stated that they think this is a low risk rather than a medium risk. Governors asked if the auditors tested the control process. Yes, but this can be retested also. Governors stated that if there are continual offenders, they would like to know how they are being managed.</p> <p>The low risks and management responses were noted.</p> <p>The college has expert staff to lead on use of ETracker. It was previously used by two colleges but is new to two other colleges. Faculty Administrators will undertake the training to mitigate this risk.</p> <p>The IAs confirmed they had considered retention during the first 6 weeks of term, as part of the audit.</p> <p><u>Risk and Assurance</u> The committee noted the plan until the year-end, the use of contingency days and the status of all the reports. The committee discussed if these are the right audits for the rest of the year. It was agreed that some days from the Quality Management audit be taken out, due to the internal process for quality management that the executive are currently doing. Governors asked for clarification on the work around the Havering Hub review, and whether this is affected by the delay to merge. NCC Corporation will sign off the accounts for Havering in December. Both Havering colleges need to have their audit committees to write their annual audit reports prior to merger, which will give their assurance on each college's internal controls, to the NCC Corporation in December when it signs off the Havering accounts. The IAs will therefore undertake to do some audits at Havering GFE before year end to enable their audit committee to give the necessary assurances on internal control. The Havering audits will look at how the Havering Hub works given its higher level of delegated authority, and will test governance arrangements, so will be a forward looking framework. Governors stated that NCC audit committee will need to see all future Havering Hub audits, after it has been seen by the Havering Hub local board (if it intends to review them). The audits will also ascertain if there are any items around the due diligence that need highlighting as they may have moved on since the decision to merge was taken.</p> <p>Governors expressed concern that 40% of the days were on report writing and contract management. They asked that this be split to demonstrate the difference, or that report writing be incorporated into the audit fieldwork calculations instead.</p> <p>It was noted that if an issue arose in year, there should be contingency audit days to use for extra audits, rather than they being assigned to current plans for existing audits. Management will use these days as appropriate but report back to the committee on how they are being used. 3 days have been assigned in the plan to clear the legacy items. This work is to be completed before the next Audit committee meeting in June.</p> <p>All the IA s reports go to the senior management team and the named owner on each report, needs to be a member of SMT.</p>

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	<p>It was noted that the Code of Governance requires the Audit Committee to give an opinion in its annual report on the assurances around data quality. The IAs were asked to consider providing such an overarching opinion on such, based on all sources of assurance coming to the committee. There is now central assurance received from the ESFA as they will pick up and report on any anomalies in the college data that they see. This will form part of the assurance map.</p> <p><u>IT Infrastructure</u> Reasonable assurance 2 medium risks and 4 low recommendations.</p> <ol style="list-style-type: none"> 1. Anti-virus software either required or old machines removed from software. 2. Annual schedule of system and file server restoration tests <p>Governors stated that they thought this should be a high risk, and that the actions should be speeded up to prevent internal and external threats i.e. moved forward from September to July. Governors queries why external security breach attempts are not being logged? These must be logged to identify the threats. The management response for implementing an annual schedule of system and file server restoration is not acceptable. Rather than a review, an action plan and timescale should be reported. Management to check with IT and report back to the committee before the next meeting on these issues. Governors asked for the Group Director of IT to come to the June meeting to give a full response to the medium risks.</p> <p>Low risks and management responses were noted.</p> <p>5.2 Internal Audit Log The overarching log details of all college audits and an update on each item was noted. A lot of MIS matters have been dealt with; HR training is now in place and the HR Strategy is in progress but needs to have regard to the mergers. An updated report will come to the June meeting, but housekeeping items are to be cleared off, that is about 90% of the report. Governors stated that priority of risk should decide the priority of how quickly they will be dealt with, rather than the priority being to clear off easy (low risk) items. The High risk ones need to be dealt with first, then Medium etc. Governors asked for the front sheet of future reports to detail numbers of high, medium, low risk matters. Some items are no longer valid so need to be removed. This review will take place before the next audit committee.</p> <p>5.3 Risk Management There is a merger risk management plan that is owned by the Merger Working Party, the key risk is the bank sign off by Lloyds and Barclays.</p> <p>There have been some minor adjustments to the NCC Risk Register, including sub-contractors, and the ongoing matter with OfS needs to be added. Governors asked that in future, the reports to detail the changes from the previous register to the most recent. Management will review the register again in detail as part of the budget planning process.</p> <p>5.4 Business Continuity A lot of work being undertaken internally for this, so it is too early in the process for IA to provide the necessary assurance. The interim report was noted. Governors asked for a lockdown process and crisis management, as part of a serious incident plan, to be reviewed as part of the second part of the audit.</p>
6.	<p>Subsidiaries Report The Committee noted that there are five subsidiaries, as reported in the audited annual Accounts for 2017/18. The work to complete each of the subsidiary accounts has now taken place and there are no changes to the financial figures within the approved annual Group accounts for 2017/18 by Corporation. Management having taken the decision not to trade within three of these companies from the 1 August 2018, and continuing to trade for two, have completed the audit with KPMG and the audit opinions for all five companies for the annual accounts for 2017/18 were noted.</p> <p>As the meeting was not quorate, it was resolved that the Board will need to approve the recommendation that the Group Principal and CEO be authorised to sign the company accounts</p>

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	<p>and to provide a letter of support from the Group for all five companies based on the wordings provided.</p>
<p>7.</p>	<p>Re-appointment of External Auditors The Committee noted that KPMG were appointed as external auditors for a three-year term, with annual reappointment as part of the process. The first year of this term was 2017/18. It was agreed that the audit work was completed satisfactorily this year, and therefore the proposal is to reappoint KPMG as external auditors for 2018/19. If appointed they will undertake the work at NCC, and the additional work required in this year following the Epping Forest College merger, as two separate finance systems have been maintained during this year. It should also be noted that the Havering College of Higher and Further Education are minded to appoint KPMG as their external auditors for 2018/19.</p> <p>KPMG have to do additional work to do with the mergers, as Epping operated a different system, and this will be the same this year for the Havering mergers. It was noted that their fees were appropriate to their increased workload.</p> <p>As the meeting was not quorate, the Board will consider the appointment of KPMG as external auditors for 2018/19.</p>
<p>8.</p>	<p>Brexit Update The college is offering support by sharing information with students and staff around settled status, but funding guidance is not yet confirmed. Governors asked what the material financial risk is. The exposure is less than 10% in income but the college does not know if this will affect current students or next year. The staff data on EU nationals – what their passport details are (UK or EU), is being collected. With passports, some students have Bangladeshi, some have Italian, and some have a British one, some have settled status and some have only just arrived, so it is difficult to make adequate plans, particularly when there are no clear decisions from government. Governors stated that it is important that the college collects the data, even if it is unsure what to do with it as this stage, collection of data should be part of the contingency plan for Brexit. Management advised that 50% of staff have completed their nationality, this equates to 553 people of which 437 have declared British. Governors asked for Brexit preparedness to be a standing agenda item, for as long as required.</p>
<p>9.</p>	<p>Audit Code of Practice Update The Committee noted that the post-16 audit code of practice sets out Education and Skills Funding Agency's (ESFA's) assurance and accountability requirements for post-16 providers, including sixth-form and further education colleges. This revised Code covers the accounting period for 18-19 and the amendments are noted as:</p> <ul style="list-style-type: none"> • additional guidance to help post-16 providers, including corporations, prevent and manage fraud, including a new anti-fraud checklist • emphasising that corporations must have procedures in place to identify fraud, theft, bribery, corruption, irregularity, or major weakness in accounting or other control frameworks • reflecting DfE's policy that all identified frauds of any value must be disclosed in the accounting officer's statement of regularity, propriety and compliance, and in the reporting accountant's equivalent statement • explaining that the ESFA have aligned the regularity self-assessment questionnaire to this document • clarifying that the scope of the terms of reference for the regularity assurance engagement (annex B), and the reporting accountant's assurance report on regularity (annex E), includes all public funds <p>Governors noted that the self-assessment questionnaire will come to audit committee in the Autumn, and a Fraud policy that covered the above points, was approved by Corporation in December.</p>

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10.	AOB None identified.
11.	Date of Next Meeting 26 th June 8.30 am

Signed.....

Dated.....