

# List of Signatures

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## Agreed Audit Committee Minutes 15.06.21.pdf

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<b>Chair</b>	Neil Yeomans
<b>Corporation Members</b>	Gareth Wall, Cynthia Griffin
<b>Co-opted Member</b>	Thana Nathan
<b>Auditors</b>	Paul Goddard - Internal Auditor (Scrutton Bland) Katharine Patel – External Auditor (Buzzacott)
<b>Officers</b>	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO
<b>Apologies</b>	Leisyaen Keane - Internal Auditors (Scrutton Bland)
<b>Minutes</b>	Elsa Wright – Director of Governance

<b>Item No</b>	<b>Item of business</b>
1.	<b>Welcome and introductions</b> The Chair welcomed everyone to the meeting
2.	<b>Apologies for Absence</b> Apologies had been received from Leisyaen Keane. Cynthia Griffin would be joining the meeting at around 6pm.
3.	<b>Declaration of Interests</b> None received.
4.	<b>Minutes of the Last Meeting Held on 4 March 2021</b> The minutes were agreed as drafted.
	<p><b>4.1 Matters Arising and Action Points from the Meeting</b></p> <p>There were three items which the Deputy CEO updated the committee about. There was report from the Group Director of IT services about the testing and security of core systems. The Cyber essentials scheme was in place and the college ensured good practice was followed as systems were constantly evolving. Multi factor authentication was now in place and password policy protocols were followed. Server patching was done through standard tools but additional work was done to ensure protection. Independent companies and JISC were used for penetration testing. JANET provided security arrangements for most education establishments and this was an ongoing area of work.</p> <p>The Chair commented that this was a helpful update and that there were comprehensive measures in place. This would be added as an annual item. It would be helpful to see a summary of external vulnerabilities testing for triangulation alongside a summary of the active directory audit looking at results and exceptions (in the same style as the IA reports). Governors asked about the training for staff. 95% had completed the cybersecurity training and the real risk was from small slips in behaviour. Compliance with training was reported to F&amp;GP and this included GDPR training.</p> <p>There was nothing further to report on attempted fraud but this would be included as a matter arising on each agenda. A template report had been circulated by Scrutton Bland which the Deputy CEO would enhance. Fraud risk assessment was covered at a higher level and there had been a number of reported incidents at other colleges including updated bank account details for payroll. Robust procedures were in place and loss had occurred at one college as the procedure had not been followed. It was possible to shut down more threats but each organisation had to decide on its risk appetite and how much it could be exposed to and still operate. There was more security for the CEO and Deputy CEO as they were often the targets. The Chair agreed that the college had to take reasonable steps to protect from fraud but that it could happen if someone acted out of character. The Deputy CEO confirmed that staff understood the type of behaviour and if something was out of character they would check. Sensitivity testing was good but there was always the risk of someone not following a control.</p>



Item No	Item of business
	<p>The external auditor commented that it was helpful to know what the scope of insurance was in case of fraud.</p> <p><b>ACTION – Director of Governance to add IT testing and security to the work plan</b></p> <p><b>ACTION – Deputy CEO to bring a summary of external vulnerabilities testing for triangulation alongside a summary of the active directory audit looking at results and exceptions to the September meeting</b></p> <p><b>ACTION – Deputy CEO to review and understand the scope of insurance provision for acts of fraud</b></p>
<b>ITEMS FOR DISCUSSION, DECISION OR ACTION</b>	
5.	<p><b>In Year Monitoring and Performance 2020-21</b></p> <p><b>5.1 External Audit Plan 2020/21</b>  Katharine Patel, the external audit partner from Buzzacott introduced the key points from the plan which had been written after initial discussion with the Deputy CEO and Chair of the Committee. The scope of work for the regularity audit was set out along with the teachers' pension scheme audit. The accounts direction was covered on pages 4 and 5 with the main change being the removal of reliance on the final funding reconciliation statement issued by ESFA. Other ACOP changes were highlighted in the letter of engagement. There were three changes in auditing standards: going concern; accounting estimates and forming an opinion and reporting on the financial statements. The strong audit reports would add to the evidence required for this assessment.</p> <p>The CEO raised the issue of going concern and the negative impact of the pension deficit and asked that the auditors took a pragmatic view. This was a sector wide issue which would only increase with the next triennial valuation.</p> <p>There had been a discussion at the planning meeting about income recognition and assurance around funding as well the risk of funding being materially misstated. Page 9 set out the details of the work that would be completed and the auditor would meet Lucy Brown who led the MIS team to review the data. Thana Nathan joined the meeting at 6pm</p> <p>The CEO raised the issue of the final report reflecting the college and the controls that were in place rather than it simply complying with the ESFA and FRS requirements. The external auditor had some ideas about how to achieve this and to ensure that the text reflected the controls placed on the college by the Corporation. The Chair agreed that it should show what the CEO was held accountable for as items such as pension adjustments and other lines of the accounts were not in the control of the Corporation but had a large impact on the final position. These items would be stripped out when the ESFA looked at financial health.</p> <p>There were a number of audit risks which were common across the sector such as capital projects and subcontractor provision. The external auditor confirmed that the fee was in line with the quotations and set out on page 13. There was a fee of £2750 to reflect the change to the audit code of practice and the Deputy CEO confirmed that he was comfortable with this. The committee <b>agreed</b> to the plan with this additional fee. It was recommended that the engagement letter should be signed once professional clearance was complete with KPMG. This was with their compliance team and should be completed shortly.</p> <p><b>5.2 Post 16 Audit code of practice</b></p> <p>The paper highlighted the most significant changes, with many already part of the college's work plan. The guidance was that the external auditor should attend Corporation when the accounts were approved and it was agreed that an executive summary would be prepared for the meeting. It was expected that they would present everything they needed to for the Corporation to make an informed decision and it was right to remind the whole Corporation of its responsibility.</p>



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	<p><b>5.3 IA reports</b></p> <p>The first report was the apprenticeship audit. This was a complex area and the audit had been green with significant assurance and three low risk recommendations which had been actioned. The team were to be congratulated and had addressed the challenges in past highlighted in the past. It was not a huge area of income but it was important to get right. Governors thanked Jamie Stevenson and his team.</p> <p>The second report looked at the finance system implementation across all campuses and included a health check against the financial regulations. Strong assurance was given with no recommendations and two added value points. The system was fully embedded and the next step would be to give access to user generated reports. There was work to do to improve the quality of data from across the college which would further reduce any fee errors. The financial regulations were considered to be robust and comprehensive. Cynthia Griffin joined the meeting at 6.04pm</p> <p>Implementing the finance system had been large project and governors thanked the Deputy CEO and asked him to pass on their thanks to his team for not only rolling it out across the group but also for getting a clean bill of health on the audit.</p> <p>The GDPR audit offered reasonable assurance with one medium risk identified in relation to data mapping. It had been completed across the year. Key areas such as HR and student records had been mapped and this was now being extended to track all sources of data across the college. Training had been delivered in April. The management response reported 90% completion and there was no concern that there were any areas that had not mapped and further training would be delivered. The new bursary system would be mapped through as part of the implementation. Good progress had been made with some housekeeping to be completed at a lower level.</p> <p>The High Needs learner support audit offered strong assurance which the internal auditor explained was extremely rare. It was a complex area which few colleges managed to get a handle on. It was the cleanest audit at NCC and offered lots of points of best practice. Jean Cole and her team had done an excellent job and governors passed on their thanks. Levels of activity were captured and claims made supported by timetables and evidence of delivery. Securing LA funding was difficult and the evidence provided for each claim was impressive and effective. Any differences across campuses had been removed with a group approach and consistent management. This was a material level of funding and evidence showed that it was taken seriously and give the time it was needed. Local Authorities were very slow to pay the college and it was important to keep up the pressure for the funding to come straight to providers.</p> <p>The IA explained that this had been an excellent cycle with the management response reflecting the diligent way that the audits were followed up. He passed on his thanks to all staff involved</p> <p><b>5.4 IA recommendations</b></p> <p>The report outlined the progress made on the previous internal audit recommendations, verified by the Internal auditors. There had been reasonable progress on actioning the recommendations. Seven of the eight outstanding recommendations would be completed by the 30 September 2021, the last to draw up a single Strategy for Employer engagement would be in place by January 2022. There had been 30 recommendations in total with fully implemented, 4 in progress and 4 not implemented. The Chair asked that future reports were clear if recommendations were not accepted or only partially implemented and why that was the case. There would be some additional work on Apprenticeship follow up in January, bringing the total to 79 days.</p> <p><b>5.5 IA Plan</b></p> <p>The IA plan set out the areas proposed for audit in 2021/22 which had been mapped against the college risks and shared with the Chair, CEO and Deputy CEO. The plan included annual compliance checks and follow up of previous audits. The 5 year plan on pages 14 and 15 showed how the key areas were addresses and also documented alternative sources of assurance such as external audit. The CEO felt that the approach was right and the universe mapping was helpful. There were a few audits where the days looked quite high such as cyber security and health and safety but this would be easier to review once the full scope was known.</p>



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	<p>It was important to ensure good value was achieved and where alternative sources of assurance were used, these should be brought to the committee or documented if they were reviewed elsewhere. The Deputy CEO would add an additional column to the plan which listed the assurance and where it would be reviewed. The minutes of the relevant committee would show how it had been reviewed. There was a discussion about the number of days needed for HR and Health and Safety and the detail of these would be reviewed. Governors discussed the number of days and the Chair clarified that these were discussed when the scope of the audits were reviewed with the IA advising on the number required to complete the work.</p> <p>Governors asked how higher risk capital projects would be built into future plans. A focus on procurement might be helpful as the CISIC project would be completed this year and the Epping Wellness project had received planning permission that day. The Poplar project would have a large reach and currently project spend was being written off each year. This should be kept under review as the sum could continue to increase without any progress on the redevelopment. It was important to look at how the college accounted for projects and the associated risk. It was suggested that this was part of the IA plan for 22/23. Any large or new capital spend was an obvious area for fraud and collusion. The contracting process was key and this would be covered by any review of procurement.</p> <p>There were six contingency days. The Property committee provided a level of assurance with members drawn from the construction industry who looked at the processes and any decision to spend. It was clear that most difficulties around the Poplar project were not of our making and that they were impacted by local decision makers.. It was key to ensure proper use of public money but the college had to spend money and write down costs because of decisions made elsewhere. The external audit would need to understand the policy process and procedures around that if it were to conclude that this had been a sensible use of public money.</p> <p><b>ACTION – the committee agree the plan in principle with discussion to take place to finalise the number of days. The plan would be recommended to the Corporation with these changes.</b></p> <p><b>5.6 Risk management report</b></p> <p>The approach had been last year to report on the 10 key risks which were monitored by SMT. The plan set out the risk and the mitigations in place to manage and control the risks. It was reviewed regularly and context had been added to reflect the actions taken at NCC. Governors discussed whether they were common to a number of colleges rather than being specific to NCC. The risks themselves were often the same but the mitigations and actions were specific to NCC. Governors asked about the inclusion of Poplar in the list. The CEO explained that currently the redevelopment was high risk but the issues were external to the college.</p> <p>There was discussion about using a resilience plan and how a plan would ensure that governors discharged their role in terms of risk assurance. A huge issue was the quality of staff and resources at the disposal of SMT to manage and respond as risks emerged. Governors needed to feel confident that any plan captured this and that if it was too general, there should be a different solution.</p> <p>Many of the strategic risks were related to the policy environment and political decision making which was complicated to mitigate. Assurance was given through committees which dealt with next level of risk such as curriculum where the C,Q and S committee and its Chair could give strong assurance back to the Corporation on quality through its monitoring. A Board assurance map would give a visual way to look at flows and the IA would share some examples. The work that the IA was completing and the strong assurances being given should give governors assurance.</p> <p>The external auditor agreed that there were common risks across colleges and it was hard for governors or the audit committee to address them as some were not specific. It was important to have something in place which was a tool for governors and enabled them to make the statement in the accounts on the risk management processes in place that were documented and managed with mitigating action.</p> <p>The CEO explained that many of the current risks were very operational and live with the changing environment leading to SMT needing to be reactive. It was important to capture strategic risk and the capacity to manage the longer term risks being clear about the capacity of the organisation to manage</p>



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	<p>them and lead long term change, where required. The solution was something that was useful and proportionate for SMT but gave governors the assurance that they needed. Changes had been made as a result of the IA process. The Chair, Deputy CEO and CEO would bring some proposals to the September meeting.</p> <p><b>ACTION – Chair, Deputy CEO and CEO to develop proposals for the September meeting</b></p>
6.	<p><b>Terms of reference</b> The terms of reference had been reviewed in light of the new code of practice. The changes were highlighted in yellow. The Director of Governance invited any comments on the updated ToRs. The committee agreed the changes for final sign off at Corporation in July and recommend them for approval.</p> <p><b>ACTION – Terms of reference were agreed and recommended for approval at Corporation</b></p>
7.	<p><b>Committee self-assessment</b></p> <p>The draft self-assessment from as included in the pack. The Chair would add some further questions and it would be sent out to all members for return before the next meeting. All governors were asked to complete the self-assessment</p> <p><b>ACTION – Chair to update the assessment and all governors to return by 10 September</b></p>
8.	<p><b>Any other Business</b> There were no items to report.</p>
9.	<p><b>Date of Next Meeting</b></p> <p>The next Audit Committee would take place on 23 September subject to the meeting schedule being approved at Corporation.</p> <p>The Chair thanked everyone for attending the meeting.</p> <p>The meeting ended at 7.27pm</p>

