



**2020/21 ANNUAL REPORT OF THE AUDIT COMMITTEE  
TO THE CORPORATION**

**DECEMBER 2021**

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## **2019/20 Annual Report of the Audit Committee to the Corporation**

### **1.0 Introduction**

Corporations are required to have an audit committee to provide governors with independent advice on the college's audit arrangements and systems of internal control. It has a key role in acting as the governing body's 'independent arm' to ensure that the information provided to the governing body – and the systems that generate it – are robust and accurate.

The Audit Committee has a number of responsibilities, but its main purpose is to advise the Board on the adequacy of the operation of the internal control systems in the College. This covers not only financial controls but all activities and systems within the college. This is done in the audit committee annual report. The annual report must follow the requirements set out in the Financial Memorandum and the Post 16 Audit Code of Practice. The detailed requirements are summarised in Appendix 1.

This report outlines the work of the Committee for the period 1 August 2019 to 31 July 2020.

### **2.0 The Committee**

#### **2.1 Membership**

The Committee membership for academic year 2020-21 consisted of the following:

##### ***Members***

- Neil Yeomans (Chair)
- Cynthia Griffin
- Gareth Wall
- Thana Nathan (co-optee)

In line with the Post 16 Audit Code of Practice, membership excluded the Chair of the Corporation, the Principal, members of the Finance and General Purposes Committee, and the College's professional advisers. Of the four members, one was co-opted members with the remainder all members of the Corporation.

The following were in attendance by invitation:

Gerry McDonald, Group Principal & CEO  
Suri Araniyasundaran, Deputy CEO  
External Audit Service (KPMG)  
Internal Audit Service (Scrutton Bland)

Elsa Wright was the Director of Governance for 2020-21.

#### **2.2 Meetings and attendance**

There were four meetings held during the year held on 24 September 2020, 1 December 2020, 4 March 2021 and 15 June 2021. The Committee has taken active steps to recruit to the committee with and additional corporation members and a further co-optee with risk experience recruited for 2021-22.

### **Committee Membership and Attendance:**

Meetings were held via TEAMS

	21.09.20	01.12.20	04.03.21	15.06.21	Actual attendance	% attendance
Neil Yeomans	1	1	1	1	4/4	100%
Cynthia Griffin*	x	AP	1	1	2/3	66%
Gareth Wall	1	1	1	1	4/4	100%
Thana Nathan	1	1	1	1	4/4	100%
<b>Total Present</b>	3	3	4	4		
<b>Total Possible</b>	3	4	4	4		
<b>% Attendance</b>	<b>100%</b>	<b>75%</b>	<b>100%</b>	<b>100%</b>	<b>93.75%</b>	

\*appointed to the committee in October 2021

### **3.0 Overview: Business Considered**

The Committee meets its responsibilities through requesting assurances from management and by receiving reports from the internal auditors, the external auditors and other specialists and advisers. During the year, the Committee gave attention to the following issues:

#### **3.1 The Year-End 31 July 2021**

3.1.1 – 3.1.4 summarises the business reviewed in respect of the Year-End 31 July 2021, at its meeting in December 2021.

##### **3.1.1 Internal Audit Assignments**

Scrutton Bland presented its Annual Report on the IA service at the September 2021 meeting of the committee.

##### **3.1.2 The Internal Audit Service (IAS) Annual Report**

Scrutton Bland stated in its Annual Report 'In our opinion, for the year ended 31 July 2021 the College:-

- has adequate and effective risk management processes;
- has adequate and effective governance processes;
- has adequate and effective control processes; and
- has adequate and effective processes surrounding efficiency and effectiveness.

##### **3.1.3 Review of the work of the Financial Statements and Regularity Auditors**

Buzzacott were appointed as the external auditors in March 2021 for an initial period of 3 years, with annual re-appointment. At the December 2021 meeting, the Financial Statements and Regularity Auditors issued an unqualified opinion.

##### **3.1.4 Audit Committee Annual Report**

The Audit Committee Annual Report was considered at the December 2021 meeting of the committee.

### **3.2 In Year reports**

#### **3.2.1 Internal Audit Service Opinions, Recommendations & Follow-up**

*Audit Provider:* Scrutton Bland were appointed as the IA Service provider from the first term of the 19/20 academic year.

*Opinions & Recommendations:* The Internal Audit Plan for the year covered the usual mandatory reviews of governance and risk management along with other designated system reviews. The IA completed ten assignment reports, a previous year recommendations follow-up report and an Apprenticeships follow-up report during the 2020/21 academic year. They provided three strong, five significant and two reasonable assurance opinions. They concluded that the College had made good progress in implementing the recommendations raised within our 2019/20 Apprenticeships report.

The assignment reports covered can be summarised as follows:

- Project cashflow forecasting – strong assurance
- Post-implementation review of new finance system and Financial regulations review - strong assurance
- High Needs learner support - strong assurance
- Anti-fraud framework and Whistleblowing – significant assurance
- Business continuity (including Covid-19 response) – significant assurance
- Funding compliance: Apprenticeships – significant assurance
- Safeguarding and Prevent management information – significant assurance
- Subcontracting and Partnerships – significant assurance
- Apprenticeships follow up (additional work) – good progress
- Estates Management – reasonable assurance
- GDPR compliance – reasonable assurance
- Follow-up Previous recommendations – good progress

*Audit Follow-up:* The College audit tracker log formed the basis for the audit follow-up review. This was reviewed by the Committee at each meeting. Of the 33 outstanding recommendations, 25 have been implemented and 8 are either part implemented or implementation is on progress.

*Value for Money* - each assignment report included a section regarding value for money and particular matters were highlighted as part of each review.

#### **3.2.2 Review of the work of the Financial Statements and Regularity Auditors**

*Financial Statements & Regularity Audit* - The external auditors review and report on the College's financial statements and whether proper arrangements have been made for securing economy, efficiency and effectiveness in its use of resources.

The External Audit Strategy (EAS) for year ended 31 July 2021, summarising the approach proposed for this review, was presented to the Committee at the June 2021 meeting.

At its December 2021 meeting, the Committee was presented with an update on the progress of the external audit. The Committee discussed the final financial statements, the external

auditor’s management letter and regularity audit report and their representation letter and commented on the final reports and made such adjustments as necessary to their draft Annual Report to be presented to the Corporation meeting on 16 December 2021.

On that basis they are able to confirm that the audit:

- Indicated an unqualified opinion;
- Brought nothing to their attention which suggested that in all material aspects the expenditure disbursed and income received during the year ended 31 July 2021 had not been applied to purposes intended by Parliament and the financial transactions did not conform to the authorities which govern them.

**3.2.3 Fraud, Irregularity and Whistle-blowing**

There were no cases of qualified disclosures of whistle-blowing, fraud or suspected fraud or irregularity, significant or otherwise were reported. Required to consider fraud as part of its assessment of the College’s controls framework, the IAS reviewed the College’s arrangements for the prevention and detection of fraud and corruption, alongside its accounts audit work and no issues that would require disclosure.

**3.2.4 Risk Management 2020/21**

In advance of discussions at the Board, the Committee reviewed the Register and commentary for each of the top ten risks. The committee also discussed the approach to risk management and effective reporting. The current risk profile is summarised as follows:

Strategic Risk	Rating pre mitigation	Rating post mitigation
Risk of not maintaining outcomes and standards in line with external bodies’ requirement of high performers	Medium	Medium
Risk of not keeping students and staff safe	High	Low
Risk that curriculum offer does not meet local and national requirements	High	Medium
Risk of not being able to recruit, retain and develop staff	High	Medium
Risk that one of our subcontractors are unable to deliver or that they create a harmful reputational issue	High	Low
Risk of the lack of oversight by Management and Governors	Medium	Low

The risk of not achieving sufficient recurrent surpluses to be financially sustainable.	High	Medium
Risk of the inability to fund short and long term investment	High	Medium
Risk of non-compliance on statutory and regulatory matters	Medium	Low
Risk of inadequate systems and processes to enable effective delivery to student and efficient College operations	High	Medium

### 3.3 Audit Planning 2021/22

#### Internal Audit Strategy and Annual Audit Plan for 2021/22

The Internal Audit Strategy for 2021/22 was discussed at the June 2021 meeting. The plan was reviewed and finalised at the meeting in September 2021 and signed off by Corporation in November 2021.

#### 4 The Committee's Effectiveness & Performance

The Committee's performance and its effectiveness are reviewed in the context of the Committee's Terms of Reference, the content of which follows those set out in the Post 16 Audit Code of Practice.

The 2020/21 Post-16 Audit Code of Practice (ACOP), effective from March 2021, requires the Audit Committee to produce an annual report, which must be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the accounts is signed. The ACOP states that 'the audit committee must assess and provide the corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets and subcontracting (where applicable)'.

An overview of the Committee's work is covered in Section 3 and Appendix 3. An assessment of the extent to which the Committee has fulfilled its responsibilities is made in Appendix 2. The committee recruited a further corporation member and a co-optee from 1 August 2021.

### 5 Conclusion

#### 5.1 Context

In forming its conclusion, the Committee has reviewed:

- Reports presented by the College regarding arrangements for the adequacy and effectiveness of its systems and arrangements for risk management, governance and internal controls; and responding to the conclusions of the reviews of those arrangements by the Internal Audit Service;
- the work of the College Internal Auditors, through its reviews in accordance with the audit plan for 2020/21 and the standards outlined in the associated reports presented; and the 'Overall Assurance and Opinion' statements regarding risk management, governance and internal controls, contained in page 1 of the Internal Audit Annual Report;

- the work of the External Auditors;
- its own performance and its effectiveness in the context of its terms of reference

## **5.2 Committee Opinion**

Based on the audit work undertaken and the opinions and recommendations made and reviewed during the year, it is the conclusion of the Committee that, subject to the satisfactory conclusion of the financial statements audit, a fair assessment has been presented of:

- The College's internal control systems and arrangements for the adequacy and effectiveness of its systems and arrangements for risk management; and the extent to which they may be relied upon.
- The affairs of the College and its Financial Statements as at 31 July 2021 and of the College's income and expenditure, recognised gains and losses and cash flows for the year ended
- The work of the Committee and its view that it has taken appropriate steps to perform its duties as delegated by the Corporation; and that it has had no cause to raise any issues of significant concern with the Board arising from its work during 2020/21. It will continue to vigorously monitor and review performance.

**And therefore, the Committee wishes to advise the Corporation and Principal /Accounting Officer that it is of the opinion that the College has adequate and effective assurance arrangements, assurance over subcontracting, framework for governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and safeguarding of its assets.**

The Board is invited to endorse the Annual Report of the Audit Committee.



## Appendix 1

### Post 16 Audit Code of Practice 2020-21 (March 2021) extract from publication

26. It is a condition of funding and this Code that corporations must establish an audit committee.

27. The audit committee must advise the corporation on the adequacy and effectiveness of the corporation's assurance framework. The audit committee must play a robust role in good stewardship and risk management and may refer to the ESFA's guidance on the scope of work of audit committees and internal auditors in college corporations. In addition, the audit committee advises and supports the corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. The College Accounts Direction sets out the ESFA's specific requirements including the required format of the corporation's statement of corporate governance and internal control.

28. The corporation must set out clear terms of reference for the audit committee. These should reflect accepted good practice for audit committees of publicly funded organisations<sup>1</sup> and as a minimum must set out:

- the committee's right to scrutinise any activity within its terms of reference, which may involve engaging a third party to assist
- the committee's right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit
- a requirement for the corporation to appoint a minimum membership of three, a majority of whom must be governors, which must not include the chair of the corporation or principal
- a responsibility for the corporation, in appointing members, to maintain the committee's independence and objectivity<sup>2</sup>
- a restriction on the committee not to adopt an executive role

29. Audit committees must include individuals with an appropriate mix of skills and experience to allow the committee to discharge its duties effectively. Collectively, members of the committee should have recent, relevant experience in risk management, finance, and assurance. The abilities of the membership of the audit committee should reflect the needs of the corporation and should extend to expertise in all relevant financial and non-financial areas. Audit committees will be most effective when they are staffed by individuals who are prepared to support, challenge, and warn the board of governors.

30. In addition, the audit committee must:

- assess and provide the corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, which may include the board assurance framework, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets. Audit committees should take a holistic view with all aspects and systems, financial

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<sup>1</sup> HM Treasury's audit committee handbook may be a useful reference point.

<sup>2</sup> Corporations should consider whether staff-governor members of an audit committee meet good practice standards of independence and objectivity.

and non-financial, being in scope depending on their impact and effect on the corporation.

- consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date. Where the audit committee identifies a gap in its existing skillset, training and development should be provided to address this in the first instance.
- advise the corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and establish that all such assurance providers adhere to relevant professional standards.
- inform the corporation of any additional services provided by the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable) and explain how independence and objectivity are safeguarded.
- review and consider the reports of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and monitor the implementation of recommendations to agreed timescales.
- oversee the corporation's policies on and processes around fraud, irregularity, impropriety and whistleblowing<sup>3</sup>, and ensure:
  - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
  - that investigation outcomes are reported to the audit committee
  - that the external auditor (and internal auditor if applicable) are informed of investigation outcomes and other matters of fraud, irregularity and impropriety, and that appropriate follow-up action has been planned/actioned
  - that all significant cases of fraud or suspected fraud, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are reported to the ESFA, and other relevant funding authority, as soon as possible
  - risks around fraud have been identified and controls put in place to mitigate them.
- produce an annual report for the corporation, summarising the committee's activities relating to the financial year under review, including:
  - a summary of the work undertaken by the committee during the year
  - the number of the meetings held in the year, and attendance records for each audit committee member
  - any significant issues arising up to the date of preparation of the report
  - any significant matters of internal control included in the reports of audit and assurance providers
  - details of the date of appointment of the external auditors and the remaining term of the contract
  - the committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - the committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, assurance over subcontracting, framework of

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<sup>3</sup> Corporations should refer to the whistleblowing requirements set out in their funding agreements.

governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets.

The annual report to the corporation must be submitted to the corporation before the statement of corporate governance and internal control in the annual accounts is signed.

31. In addition to the mandatory responsibilities of an audit committee outlined above, as best practice audit committees may also oversee additional matters such as data breaches, GDPR issues and health and safety incidents.

32. The audit committee should meet at least three times a year. Where three meetings were not held, an explanation (such as when it was not possible to achieve a quorum) must be provided within the audit committee's annual report.

33. The audit committee must notify ESFA immediately of the resignation of auditors, or in the rare circumstance where the corporation removes the auditors, before the expiry of their term of office. Where auditors have resigned, other than at the end of their agreed term, the audit committee must copy to ESFA an explanation from the auditors. Where the corporation elects to remove the auditors, the audit committee must notify ESFA of these reasons. A change in auditor at the expiry of their agreed term of office does not require notification to the ESFA by the corporation.

34. The audit committee must ensure that there is a policy in place for regular retendering of the external audit service. The audit committee should consider the quality of the audit service required as well as the price. Corporations should ensure that the external audit contract is put out to tender at least every 5 years, though for the avoidance of doubt this does not necessarily require a different firm of auditors to be appointed.

35. Although corporations are not required to commission internal auditors, having an internal audit service in place, which may be supplemented by specialists in particular areas, is likely to assist audit committees in ensuring they have effectively discharged the requirements above.

**Committee Performance Evaluation** (June 2021 Update)

Terms of Reference	Evidence of Performance
3.1 Assess and provide the corporation with an opinion on the adequacy and effectiveness of the college corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets	Reports reviewed at each meeting and opinion given to the Board.
3.2 Ensure that an appropriate risk management framework is in place and is operating as intended. The Committee should review the Risk Register and advise the Corporation on its effectiveness	Reviewed and monitored by Committee. Alternative sources of assurance reviewed.
3.3 Ensure that key risks to the achievement of NCC's strategic objectives are identified. monitored and reported to each meeting	Reviewed and monitored by Committee. Alternative sources of assurance reviewed.
3.4 Advise the corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers (if applicable) and establish that all such assurance providers adhere to relevant professional standards. The external audit contract must be put out to tender every 5 years. Removal of the auditors, other than at the expiry of their contract, must be notified to the ESFA	An internal audit service was appointed for 2018/19, 19/20 and 20/21. Buzzacott appointed as external auditor in March 2021 for a 3 year period with annual re-appointment
3.5 Inform the corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded.	Reports presented and reviewed as appropriate.
3.6 Monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers	Reports reviewed at each meeting
3.7 Review the independent report on subcontracting as set out the funding agreement annual subcontracting assurance clause and include this in the committee's annual report to the Corporation	Subcontracting and Partnerships report reviewed in September 2021 with significance assurance given. Recommendations followed up.
<p>3.8 Oversee the college corporation's policies on fraud, irregularity, whistleblowing and GDPR, and ensure:</p> <p>a. The proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity</p> <p>b. That investigation outcomes are reported to the audit committee</p> <p>c. That the external auditor (and internal auditor if applicable) has been informed, and that appropriate follow-up action has been planned / actioned</p> <p>d. That all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body</p> <p>e. That risks around fraud have been identified and controls put in place to mitigate them</p> <p>f. That risks around data protection, business continuity and cyber security have been identified and controls put in place to mitigate the risks</p>	<p>No reported instances of fraud, irregularity or whistleblowing in 2020/21</p> <p>Whistle-blowing Policy in place and reviewed at October 2020 meeting.</p> <p>Attempted fraud is a standing agenda item.</p> <p>IA report on GDPR compliance – June 2021 with recommendations to be completed by November 2021</p> <p>Report from Group Director of IT Services reviewed in June 2021</p>

<p>3.8 Produce an annual report for the corporation, summarising the committee’s activities relating to the financial year under review, including:</p> <ul style="list-style-type: none"> <li>a. A summary of the work undertaken by the committee during the year</li> <li>b the number of the meetings held in the year, and attendance records for each audit committee member</li> <li>c. Any significant issues arising up to the date of preparation of the report</li> <li>d. Any significant matters of internal control included in the reports of audit and assurance providers</li> <li>e. details of the date of appointment of the external auditors and the remaining term of the contract</li> <li>f. The committee’s view of its own effectiveness and how it has fulfilled its terms of reference</li> <li>g. The committee’s opinion on; the adequacy and effectiveness of the college corporation’s assurance arrangements; its framework of governance, risk management and control; and its processes for securing economy, efficiency and effectiveness in the use of its resources, solvency, and the safeguarding of assets</li> <li>h Assurance on the arrangements in place to manage sub-contracting</li> <li>i. A statement on data quality</li> <li>j. Submit the annual report to the corporation before the statement of corporate governance and internal control in the annual accounts is signed</li> </ul>	<p>Report presented at the December 2021 meeting containing all points and reviewed in advance of making recommendations to the Corporation regarding approval</p>
<p>3.9 Review the self-assessment questionnaire completed as part of the preparations for the drafting the statement on regularity, propriety and compliance.</p>	<p>Considered at the September 2021 meeting. Signed off by Corporation at November 2021 meeting</p>
<p>3.10 To review its terms of reference at least biennially.</p>	<p>Reviewed June 2021 to ensure compliance with the revised Post 16 Audit Code of Practice (March 2021)</p>

**AUDIT COMMITTEE: BUSINESS PLAN 2020/21 (main items)****Autumn Term Meeting: Business****1. Financial year-end 2019/20:**

- Year-end Auditor's Management Report
- Auditor's Regularity Audit Report
- Auditor's Letter of Representation
- Internal Audit Service: Audit Annual Report
- Regularity Audit Self assessment questionnaire
- Annual Risk Management and Board Assurance report 2019/20
- Audit Committee Annual Report
- Whistleblowing Annual Report

**2. In-year Performance: 2020/21:**

- Internal Audit Service: IA Plan 2020/21 and assignment reports
- Review of Alternative sources of assurance
- Implementation of Audit Recommendations: Progress Review
- Risk Management Strategy, Plan & register 2020-21

**Spring Term Meeting: Business****1. In-year Performance: 2020/21:**

- Internal Audit Service: Update on 2019/20 audit activity & assignments
- Implementation of Audit Recommendations: Progress Review
- Attempted Fraud
- Risk Register Update
- Planning for 2021/21 and 3 yr plan
- Appointment of External Auditors

**Summer Term Meeting: Business****1. In-year Performance: 2020/21:**

- Internal Audit Service: Update on 2020/21 audit activity & assignments
- Implementation of Audit Recommendations: Progress Review
- Risk Management Update
- External Audit Plan 20/21
- Review of Terms of Reference

**2. Audit Planning 2021/22**

- IAS Audit Strategy & Plan for 2021/22 and five year view
- Committee self assessment