

## NOTTINGHAM COLLEGE

### AUDIT COMMITTEE

#### Minutes of the meeting held on 5 December 2017

**Present:** Stephen Russell (Chair) )  
Richard Donovan ) External members  
Caroline Mackrory )

**In attendance:** John van de Laarschot Chief Executive Officer  
Jo Clifford Vice Principal Finance  
Ian James Clerk to the Corporation  
David Hoose Mazars (external auditor)

#### PRE-MEETING WITH AUDITOR

The Committee met with the external auditor in the absence of College management to provide an opportunity for the auditor to raise any issues of concern with the Committee. The auditor raised no issues but commented that the audit process had gone smoothly bearing in mind the College's post-merger situation.

#### APOLOGIES FOR ABSENCE

39 Apologies were received from Richard Cox, Michael Wisher and Chris Williams (RSM - internal auditor) .

#### DECLARATION OF INTERESTS

40 There were no declarations of interest.

#### MINUTES

41 **Resolved** that the minutes of the meeting held on 16 October 2017 be approved as a correct record and signed by the Chair

#### FINANCIAL STATEMENTS AND REGULARITY AUDIT

##### Financial Statements & Regularity Auditor's Audit Completion Report & Letter of Representation

42 The Committee received the Financial Statements and Regularity Auditor's Completion Report which included the Letter of Representation for 2016/17. As mentioned during the private meeting with the Committee, the auditor confirmed that the audit had progressed smoothly and that, whilst there remained some issues to be finalised, he did not expect these to cause any difficulties in terms the timing of the approval of the accounts by the Board on 11 December 2017. He expected to issue clean opinions on both audits.

43 The auditor drew attention to the FRS102 pension deficit which, in common with most FE colleges nationally, caused the College's overall financial deficit position. The wording of the policy note on this issue would need to reflect this and he would discuss the wording with the Vice Principal for the final version of the accounts. The Chair asked for the policy note wording to be emailed to members of the Committee.

44 The auditor highlighted several other issues as follows:

- once an Estates Strategy had been agreed, the value of any properties to be disposed of should be written down to realisable value by accelerated depreciation charges

- there was a mismatch between the net book value of grant funded assets and the deferred capital grant income - this needed further investigation although did not affect the accounts this year
- the auditor had raised a few internal control recommendations all of which had been accepted by management and would be addressed

### **Financial Statements to 31 July 2017**

45 The Committee received the current version of Financial Statements to 31 July 2017 which showed a small underlying trading surplus of £37k after the removal of exceptional items relating to the pension deficit and the costs of the merger and restructuring.

46 As the members had not received the accounts much in advance of the meeting, the Vice Principal went through them in some detail highlighting the main points of note. The Committee asked for further wording to be added in note 7 of the Notes to the Financial Statements explaining that the numbers of Key Management Personnel reflected the posts in the legacy colleges. The Chair asked members to submit any other comments by email.

47 **Resolved** that, subject to no material changes being made to the Financial Statements, the Board be **RECOMMENDED** to approve the Financial Statements for 2016/17 and the Letter of Representation

### **INTERNAL AUDIT**

48 The Vice Principal advised that planning meetings had been held with the internal auditors and that dates for audit visits had been agreed with the first planned to take place before Christmas.

### **RECOMMENDATION TRACKING**

49 The Committee received the tracking report noting that, of 25 current recommendations:

- 7 were complete and would now be removed from the report
- 9 were not yet due
- 9 were overdue and had been allocated revised completion dates

50 The Vice Principal explained the position with each of the overdue recommendations some of which were affected by the current College restructuring and reorganisation and other by staffing issues. The Committee were satisfied that acceptable progress was being made.

### **CYBER SECURITY & INFORMATION RISK NATIONAL AUDIT OFFICE GUIDANCE TO AUDIT COMMITTEES**

51 The Committee received this report which was a useful good practice guide and would be of value in the College's current IT integration and development process. The governors appreciated that providing a full response to the questions posed in the report would be problematic for management at this point and therefore they asked for an update at the next meeting and a full response by the June 2018 meeting. Nevertheless, the vital issue of maintaining robust security arrangements on a day to day basis was highlighted and acknowledged.

### **RISK MANAGEMENT**

#### **Annual Report for 2016/17**

52 The Vice Principal introduced the Annual Report on Risk Management drawing attention to the current position on key risks together with sources of assurance available to the Committee on the College's ability to identify and manage risk.

53 The report advised that there had been no reported instances of fraud at the College during the 2016/17 financial year and the Committee asked for a fuller report at their next meeting on how the risk of fraud was managed.

54 Asked about how the implementation of the General Data Protection Regulation (GDPR) was being addressed, the Vice Principal advised that this was in hand and that a report would be presented to the Board on this important topic in the New Year.

55 On the basis of the report, the Committee were content with the current progress on Risk Management.

### **Risk Report & Register**

56 The Vice Principal submitted the report on risk together with the current Risk Register and including, for information, a copy of the latest notes of the Risk Management Group. She advised that the risk relating to HE and the QAA had reduced following the successful outcome of the inspection of HE.

57 With regard to the format of the Register, a new column 'Target Risk Score' had been added which would be completed for future versions of the Register. The Committee reviewed each of the risk areas in the Register and raised the following points:

- a risk should be added relating to safeguarding issues
- there remained some significant 'red' risks in the core area of Curriculum – the Vice Principal commented that the next round of curriculum planning would be starting soon which would affect this area
- it was anomalous that some gross risk 'red' areas were showing a 'green' assurance rating but remained 'red' under 'current net risk' - the Vice Principal undertook to review these areas
- it was suggested that the College might consider using 'letters of assurance' from risk owners as part of the process

### **Risk Management Policy & Framework for 2017-2019**

58 The Committee received the proposed Risk Management Policy & Framework for 2017-2019 which was presented for review before submission to the Board for approval.

59 Governors' attention was drawn to the question of 'risk appetite' and the Committee recognised that this was a complex issue as the Board was likely to be risk averse where finance and funding was concerned but would, of necessity, need to be bold in taking the steps needed to transform the College and to create a sustainable institution for the long term.

60 The members made two suggestions for future improvements to the Policy document:

- to include in the flowchart at the end of the policy the mechanism for risk inputs
- to include an indication of how the risk register was built up from the business planning process

61 **Resolved** that the Board be **RECOMMENDED** to approve the Risk Management Policy & Framework for 2017-2019

### **INTEGRATION OF IT SYSTEMS**

62 The Committee had asked for this item to appear on each agenda for the time being and they now received an update on progress:

- implementation of phase 2 of Tribal software – core administration system for on-line enrolments for 2018/19

- rollout of Nottingham College IT system across campuses on a campus by campus basis with associated on-site support
- core IT links being upgraded
- problems with email accounts being resolved
- more positive feedback from learner voice meetings with IT staff in attendance
- use of consultants in planning for the City hub, comparison of bespoke software with commercially available systems, management of change and development of IT strategy

## AUDIT COMMITTEE'S ANNUAL REPORT

63 The Clerk introduced the draft of the Audit Committee's Annual Report which had been discussed in advance with the Chair. The Committee considered the wording of the opinion in the report and whether they felt that there was sufficient assurance available to them to adopt the opinion.

64 Although the internal auditors for New College had declined to provide a formal opinion in their annual report, the Committee felt that they were in fact able to draw reasonable assurance from the reviews performed by those auditors. They were also aware of other sources of assurance including regular reports provided by management to the Committee and to the Boards of New College Nottingham, the Designate Board and the Board of Nottingham College. In addition, the legal and financial due diligence exercises and the analyses undertaken on behalf of the Bank in preparation for the merger identified no significant issues. The external auditor had also raised no significant issues.

65 Consequently, on the basis of the auditors' reports and the other sources of evidence available, the Committee were satisfied that they could provide a positive opinion to the Board as set out in the report.

66 **Resolved** that the Committee's Annual Report for 2016/17 be approved for submission to the Board

## DATE OF NEXT MEETING

67 5.30pm on Monday 9 April 2018 (moved from 12 March).

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Chair

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Date