

## **Audit & Risk Committee**

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### **Approved Minutes**

Minutes of the Meeting of the Committee held at the Basildon Campus on Wednesday 9 November 2016 at 9.00 am.

Present:	Mr R Patterson (Chairman) Dr G Ocen Mr Paramjit Singh Narang (from 9.30 am) Ms L Rieffel Mr T Thompson Mr A Lyons (co-opted member)
In Attendance:	Mr A McGarel (Deputy Principal & Chief Executive) Ms A O'Donoghue (Principal & Chief Executive) Ms D Hurst (Director of Finance) Ms A O'Keeffe (RSM, Internal Audit Service) Ms S Beavis (KPMG, external auditor) Mr R I Millea FCA (Clerk to the Corporation)

### **1. Apologies for Absence and Welcome to New Member**

Apologies for absence were received from Mr D Harris (RSM) and Mr G McLeod (KPMG).

### **2. Standing Orders and Declarations of Interests**

Members confirmed that no declarations of interest arose in connection with the agenda. The internal and external auditors confirmed that they did not require to speak privately to the Committee without management being present and the Committee did not require it either.

The Clerk to the Corporation and the Director of Finance declared their interests in that they occupy the same positions at Chelmsford College.

Both sets of auditors declared their interests as they occupy the same positions at Chelmsford College.

### **3. Urgent Business**

There were no items of Urgent Business.

The Clerk informed the Committee that Bryn Morris has resigned as a co-opted Member of the Committee.

The Director of Finance informed the Committee that the College lodged a revised three year Financial Plan as a result of the unexpected Crown House loss of £500K with the SFA. Their matrix now determines the College Financial Health is Inadequate. The College requested moderation but without success. A further Meeting with the SFA to pursue this has been arranged for 18 November. If confirmed, a Notice of Concern will be issued by the College and the College will then be required to prepare a Financial Recovery Plan for two years and close supervision is exercised by the SFA during that process.

The Board will be updated as to developments on 5 December 2016.

**ACTION: CLERK**

#### **4. Minutes of the Meeting held on Tuesday 13 September 2016**

The Minutes of the Meeting held on Tuesday 13 September 2016 were **APPROVED** and **SIGNED** by the Chairman.

#### **5. Matters Arising**

The Clerk **REPORTED** that the following documents had been approved by the Board at its Meeting on 3 October 2016:

- Internal Audit Annual Report 2015-16
- Internal Audit Plan 2016-17
- JACOP – Annex C Self-Assessment Questionnaire 2015-16
- Terms of Reference of the Committee

The Clerk also **REPORTED** that, in accordance with the Committee's request at the last Meeting, a follow up audit on Work Placements & Employability will take place in 2016/17 Q4 by RSM. This is included in the RSM plan for the year and is scheduled to be carried out in May 2017.

A copy of the Curriculum Planning IAS Report has been provided to Members of the Curriculum & Quality Committee as previously agreed.

The Deputy Principal & Chief Executive **provided** updates for the Committee on:

- IT/ILT Action Plan – this Plan has been updated and a new College Committee set up to deal with its full implementation
- MIS Consultancy Report – a Meeting to go through the Action Plan with the Head of MIS is to be held today

The Committee asked that further updates on both of these issues be given at future Meetings of the Committee.

**ACTION: AMcG**

#### **6. Area Reviews**

*This matter was deemed to be a confidential item under the Instrument & Articles and a separate minute has been prepared, which is attached to these Minutes.*

## 7. Risk Management (Paper AU.16.08)

### 7.1 Corporate and Risk Management Monitoring Report

The Committee **RECEIVED** a regular Report from the Director of Finance updating the Committee on the high level strategic risks facing the College and the actions in place to mitigate those risks from occurring. The risks are regularly reviewed by the Senior Leadership Team.

There are currently 33 risks on the Register – 7 RED 18 AMBER and 8 GREEN.

She reported that two changes to the risks on the College Risk Register since the last report. The HE Offer Risk has improved from RED to AMBER as the Action Plan is on track and expected to be completed to QAA satisfaction and the Area Review risk has been downgraded from RED to AMBER.

#### **No new risks have been added.**

The RED risks largely related to the deterioration in the College's Financial Health – tight cash flow, achieving budgeted income and expenditure targets and producing a budget surplus.

Maths & English is now a RED risk as, although huge numbers of students sat the exams, the results were not as good as had been hoped and intervention continues.

The Financial Strategy was reviewed and approved by the Board on 3 October 2016 and will be monitored by the Policy & Resources Committee.

The College is seeking moderation of its Financial Health by the SFA, as it is, due to the one off loss of the Court case relating to Crown House, Grays, now deemed to be Inadequate under the SFA methodology (see Urgent Business).

The Director of Finance explained that, further to the last Board Meeting, the College has commenced the process of converting the £19.5 million Barclays Bank loan into a three year revolving credit facility on an interest only basis. A £2million overdraft facility (as was needed in the early part of 2016) has been requested for the same time in 2017 and agreement is expected by the end of this month.

The Lennartz VAT challenge is included as a GREEN risk in the light of the number of FE Colleges who are challenging this ruling by HMRC (see Confidential Minutes).

The Assurance Map is **unchanged** from the last Meeting and will be discussed with RSM to ensure the process and information requirements are sufficient in each area. Due to Area Review and other priorities, this is on hold.

#### *Observations by the Committee*

The Chair stated that the dartboard reflects the risk position well and movements are clear.

A governor asked about Maths & English and actions to improve this situation. Direct control by Advanced Practitioners and the management structure is clear. Last year, too many agency staff were utilised at a high cost and they do not generally perform as well as permanent staff. This year, there has been successful recruitment of permanent staff and therefore there is a more stable staff in this area.

Last year 3000 students took GCSE resits in Maths & English. The Principal & Chief Executive informed the Committee that Maths & English is not believed to be a limiting grade any more from an Ofsted perspective. She said this area continues to be a real challenge for the College and it is not uncommon for students undertaking resits to do worse than when they first sat the examinations at school.

The Principal & Chief Executive commented that, whilst Apprenticeships are correctly classed as a RED risk, they are a national problem, for a number of reasons, not least of which the confusion and potential difficulties with the new funding system for Apprenticeships.

The Committee **NOTED** the Report.

## **7.2 Audit Recommendations**

The Committee **RECEIVED** a paper updating the position in respect of previous Audit Recommendations, noting that they have all been actioned and some are now complete.

## **7.3 Risk Register and Dartboard**

The Committee **RECEIVED** an updated Risk Register and accompanying Dartboard plotting changes in risks (see above) since the last Meeting. This reflects information from recent audit reports and other available assurance. The Risk Register only includes AMBER or RED risks.

## **8. Internal Audit (Paper 16.02)**

### **a. Progress Report**

Anna O'Keeffe of RSM presented a Progress Report on agreed Audit Assignments for 2016/17, which are unchanged from those included in the draft IAS Plan, considered at the last Meeting.

### **b. Internal Audit Plan 2016/17 (updated)**

The Committee **RECEIVED** the Final Draft Internal Audit Plan for 2016/17 from RSM, the College's Internal Audit Service. This reflected further discussions between RSM and the Deputy Principal & Chief Executive and the Director of Finance, with input from the Principal & Chief Executive.

As last year, the assignments proposed will provide the Committee with assurance on those particular areas but will not provide an overall internal audit opinion on the College's risk management, governance and control systems and this will be the responsibility of the Committee through its Annual Report to the Board.

A total of 37 days is proposed to be spent by RSM on the following areas, in line with the tender process:

- Apprenticeships Levy – Strategy and Business Development
- Management Information and Applications Management
- Student Journey – first six weeks
- Financial Planning and Management Information
- Essex Shared Services – Cash and Treasury controls (joint with Chelmsford)
- Follow up Report on Student Work Placements and Employability

An indicative timetable for the work to be done was provided to the Committee (slightly amended from previous) and the reports will flow through to the Committee Meetings in 2017.

There will be a detailed IT follow up review by RSM in 2017/18. A governor wanted to see the IT recommendations clearly rated as to importance and this will be done. Meanwhile, as stated in Matters Arising, will be updates based on the work of the new College Committee.

The Report was **RECEIVED**.

#### **9. Financial Statements Audit for the Financial Year 2015-16 (Paper AU.16.10)**

*This matter was deemed to be a Confidential Item under the Instrument & Articles and a separate minute has been prepared, which is attached to these minutes.*

#### **10. Other Audit Issues (Paper AU.16.11)**

The Director of Finance **UPDATED** the Committee on other audit issues:

##### Teachers' Pension Agency Return

The certificated return of contributions to the Teachers' Pension Agency for 2015-16, audited by KPMG, external auditors, and certified by the Deputy Principal & Chief Executive, was **APPROVED**.

##### Value for Money Policy

The Policy was approved by the Board last December and, as a part of compliance with the Joint Audit Code of Practice, the Committee is required to review the Policy and compliance therewith during the year.

The Committee **REVIEWED** the Policy and did not consider any adjustments were required. They also noted that VFM is incorporated in the College's practices and is reported in the Committee's Annual Report to the Board. No specific VFM assignments were undertaken during the year.

##### Review of College Financial Regulations

These have been reviewed and need two changes, one relating to the change in accounting methodology to FRS102 and the change in depreciation policy for the Southend and Thurrock campuses from 50 years to 60 years.

The update process will be completed by 31 December 2016.

The Committee **NOTED** the position.

#### **11. Committee Matters (Paper AU.16.12)**

- (a) After discussion, the Committee **RECOMMENDED** that the Annual Report of the Audit & Risk Committee for 2015-16 to the Corporation and Principal & Chief Executive be approved by the Board on 5 December 2016.

The Committee **NOTED** the Committee was in compliance with its own Terms of Reference.

- (b) The Clerk asked for Performance Review Forms for the Internal Audit Service for the year just ended and to be returned completed as soon as possible so that a Report can be presented to the Board Meeting on 5 December 2016.

- (c) The Clerk presented the document showing how the College complies with the Code of Good Governance for English Colleges. The document underpins the statements made in the Statement of Corporate Governance and Internal Control in the Annual Report and Accounts.

The Committee **RECOMMENDED** that the Board **APPROVE** the Report.

The Committee **NOTED** the Clerk's Report.

**ACTION: Clerk**

### **11. Date of Next Meeting**

Wednesday 10 May 2017 – Basildon Campus – 9.00 am

There being no further business, the Meeting terminated at 11.00 am.

Signed.....Dated.....