

Audit and Risk Committee

Approved Minutes

Minutes of the Meeting of the Committee held at the Southend Campus on Tuesday 6 May 2014 at 8.30 am.

Present: Mr R Patterson (Chairman)
Mr Y Goolamali
Mr B Neagus
Mr T Thompson
Mr P Little co-opted member

In Attendance: Mr A McGarel (Deputy Chief Executive)
Mr S Cain (Finance Co-ordinator)
Mr P Goddard (Scrutton Bland, Internal Audit Service)
Mr R Shaunak (MacIntyre Hudson, external auditors)
Mr R I Millea (Clerk to the Corporation)

1. Apologies for Absence

Apologies for absence were received from Mr B Morris (due to change of Audit meeting date), Ms D Hurst (Director of Finance), Mr M Eagle (Manager, MacIntyre Hudson) and Mr A Strickland (Scrutton Bland, IAS).

Mr Paramjit Singh Narang (co-opted member) was absent.

2. Standing Orders

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

3. Urgent Business

There were no items of Urgent Business.

4. Minutes of the Meeting held on Thursday 7 March 2014

The Minutes of the Meeting held on Thursday 7 March 2014 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising

The Director of Finance reported that she had reviewed the sufficiency of the College's insurance cover in respect of cash held on the College's premises and was satisfied as to its adequacy.

6. Internal Audit (Paper AU.14.04)

(a) Internal Audit Progress Report 2013-14

Scrutton Bland presented this report, indicating that there are five further audits to be completed during this financial year. All these audits have been timetabled.

(b) Final Internal Audit Reports

Paul Goddard from the Internal Audit service presented final internal audit reports on Student Records, FE Attendance and Retention and Payroll.

The scope of both of these audits were agreed by the Chairman of the Committee and referenced to the relevant entries in the College Risk Register.

The aim of the audit of **Payroll** was to ensure that only authorised employees of the College are paid, they are only paid for the work they have undertaken, that payroll expenditure is properly recorded and accounted for and that the requirements of the pension auto-enrolment scheme have been complied with.

The assurance level was **strong (1 of 5)** with the report stating that IAS considers that the College has implemented robust controls to ensure that the monthly payroll is accurate and correctly authorised.

The Report raises one low risk recommendation and one added value point.

The value added point was a suggestion from IAS that the threshold of £1,000 for examining individual variances in pay amounts between months was too high and should be decreased.

The Report also noted that the College has introduced suitable procedures to ensure that all new members of staff are auto-enrolled into the appropriate pension scheme and to document those staff that opt out.

The low risk recommendation made was regarding the signature authorising overtime payments.

Members were assured that census checks will take place between payroll and the HR Department to ensure payments are only made to valid employees, building on existing checks that take place.

The aim of the audit of **Student Records, FE Student Attendance and Retention** was to confirm that the College has a robust and consistently followed framework in place surrounding the identification and follow-up of learner absences and the processes in place to encourage learner retention.

The audit does not specifically cover the quality aspects of Attendance and Retention, but the Committee did highlight that they were concerned that full investigation is made of the reasons for poor attendance/retention. This is explored by the Curriculum & Quality Committee. As such, the Committee was keen to stress that the resultant assurance level should be seen to relate principally to monitoring systems.

Members noted that the College is planning to implement a new electronic register system during summer 2013/14, which will be linked to the College's Student Records system, and Paramjit Singh Narang, a Member of this Committee, will be assisting in the field testing of this new system.

The Clerk reminded members that the quality aspects of attendance and retention will be considered, when issues arise, by the Curriculum & Quality Committee. It was noted that actual attendance for 2013/14 to 28 April was 85.5%, 1.55pp up on last year but still 4.5pp below the College target of 90%.

Retention to 28 April 2014 for 2013/14 is 92.7%, up 1pp from last year made up of 16-18 learners up 1.44pp and 19+ learners up 0.1pp.

The assurance level was **significant (2 of 5)** stating that the College has some robust processes in place to enable learner attendance to be monitored and reported. A new reporting system is being introduced and they considered that the new reports from that system are easily accessible, easy to interpret and understand and they will allow the effective monitoring of learner attendance and retention.

Three low risk recommendations were raised in the Report (which have been all agreed by management) and one value added point.

7. Review of Financial Regulations (Paper AU.14.05)

The Clerk presented a verbal update on this project, which is being led by the Director of Finance. A comprehensive review of the Regulations is underway but is not yet completed. It will include a thorough review of authorisation limits by the Board and Policy & Resources Committee and by staff.

The intention is that Policy & Resources Committee will review the Regulations in detail at its June Meeting, with a view to recommending revised Regulations to the Board for approval on 7 July.

As soon as the review is completed, Members of this Committee will be circulated with the draft Regulations and asked for their comments so that Policy & Resources Committee can take them into account when carrying out its review.

The Committee **NOTED** and **AGREED** this approach.

8. Financial Statements Audit (Paper AU.14.06)

The Committee **RECEIVED** and **NOTED** the Audit Planning Memorandum for the 2014 financial statements and regularity audit provided by MacIntyre Hudson, the College's external auditor.

Rakesh Shaunak, on behalf of MacIntyre Hudson, explained the plan to the Committee by working through the contents with particular emphasis on the overall timetable and related deadlines, with a view to providing their draft report and management letter to the Audit & Risk Committee Meeting on 12 November 2014.

Particular reference was made to the external auditors' planned level of materiality. The audit is risk based and, where relevant and appropriate, reliance will be placed on the work of the Internal Audit Service.

The external auditor explained in detail how they carry out their assessment of going concern as part of arriving at their opinion on the financial statements. No issues are expected in this regard.

Members expressed concerns as to the level of staff costs which are exceeding the current target of 62.5% of turnover. They were assured that management are controlling this area and in particular trying to restrict the use of agency staff, but the risk here was acknowledged. There is some optimism for next year as EFA Funding is expected to be higher by around £2 million, assuming this year's student number targets are met.

One matter in the APM was deemed to be a Confidential Item and a separate minute has been prepared in this connection, which is attached to these minutes.

9. Risk Management (Paper AU.14.07)

9.1 The Committee **RECEIVED** a Report updating the Committee on the strategic risks facing the College and the actions in place to mitigate those risks from occurring.

The Committee noted that four risks have been removed and one added.

The Committee considered the focus of the Committee must be strategic and concentrate on high level risks, which will include seeking assurance from a variety of sources to see how the risks are being managed and mitigated. The Assurance Mapping project will assist in this endeavour.

9.2 The Committee noted that there were no instances of actions taken since the last meeting regarding implementation of previous audit recommendations.

9.3 The Committee **RECEIVED** an update from the Deputy Chief Executive on progress in establishing the Assurance Mapping for the College, as part of the overall Risk Management.

10. Committee Matters (Paper AU.14.09)

(a) The Clerk tabled a draft Schedule of Audit & Risk Committee Business for 2014-15, which was **AGREED**.

(b) The Clerk circulated forms for Members to undertake self-assessment of the Committee for the current year and asked that these be returned to him so that he can prepare a summary for the next Meeting of the Committee.

Items 10 (c) and (d) and item 11 on the agenda were deemed to be Confidential Items and a separate minute has been prepared for these matters, covering Performance Reviews of the external and internal auditors and future Internal and External Audit strategies.

11. Proposed Meeting Dates and Locations for 2014-15

These dates are provisional and subject to approval by the full Board.

Wednesday 10 September 2014 – Southend Campus – 8.30 am

Wednesday 12 November 2014 - Southend Campus – 8.30 am

Thursday 5 March 2015 – Basildon Campus – 9.00 am

Tuesday 5 May 2015 – Southend Campus – 8.30 am

There being no further business, the Meeting terminated at 10.40am.

Signed..... Date.....