

Audit and Risk Committee

Approved Minutes

Minutes of the Meeting of the Committee held at the Forum, Luker Road, Southend-on-Sea on Wednesday 10 September 2014 at 8.40 am.

Present: Mr R Patterson (Chairman)
Mr Y Goolamali
Mr B Morris
Mr B Neagus
Mr Paramjit Singh Narang
Mr T Thompson

In Attendance: Mr A McGarel (Deputy Principal and Chief Executive)
Ms D Hurst (Director of Finance)
Mr A Strickland (Scrutton Bland, Internal Audit Service)
Mr P Goddard (Scrutton Bland, Internal Audit Service)
Mr M Eagle (MacIntyre Hudson, external auditors)
Mr R I Millea FCA (Clerk to the Corporation)

The Committee agreed to deal with item 7 on the agenda as the last item in order that the auditors would not be required to remain outside the room during consideration of this item.

1. Apologies for Absence

Apologies for absence were received from Rakesh Shaunak (MacIntyre Hudson, external auditors) and Peter Little (co-opted member).

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 with the Committee without management being present and the Committee did not require it either.

3. Election of Chairman

The Committee unanimously elected Mr R Patterson as Chairman of the Committee for the academic year 2014/15.

4. Urgent Business

There were no items of Urgent Business.

5. Minutes of the Meeting held on Tuesday 6 May 2014

The Minutes of the Meeting held on Tuesday 6 May 2014 (including Confidential Items) were **APPROVED** and **SIGNED** by the Chairman.

6. Matters Arising

The Clerk reported that the revised College Financial Regulations had been approved by the Board at its Meeting on 7 July 2014.

7. Internal and External Audit Strategies (Paper AU.14.10)

This item was deemed to be a Confidential Item and a separate minute has been prepared in this connection, which is attached to these minutes.

8. Risk Management (Paper AU.14.11)

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

The Report stated that the Senior Leadership Team has reviewed the current risks facing the College and the amendments made were specified. An updated Risk Register was attached to the Report, together with an updated Dartboard illustrating the pattern of risks faced by the College.

The principal changes to the Register comprised identifying the key themes for improvement agreed with Ofsted, staffing KPIs and learner satisfaction. The curriculum themes cover raising the importance of Maths & English, focusing on support and tracking of student progress and attendance, providing appropriate work experience and raising the proportion of good and better lessons which affect student performance.

There are further risks highlighted with respect to improvement in learner satisfaction scores and securing sufficient funding for learners with emotional, behavioural and social difficulties. The Principal and Chief Executive has stressed this to staff at her initial briefing at the start of this term.

It was noted that enrolments at the new Thurrock Campus are strong and initial student reaction is very positive.

The Deputy Principal and Chief Executive briefly explained the legal situation regarding the Basildon project.

The risk regarding procurement has been amended resulting from the new shared finance system to green. The Director of Finance outlined the reasons for this.

A member asked about means to control staffing costs this year and to meet the target of 64.5% of turnover; in particular to control the spend on agency staff, which last year was too high. Regular monitoring is taking place between the finance staff and the operational areas to ensure agency expenditure is only agreed if there is no other option.

This Risk Register will inform the ongoing work programme of internal audit for the Committee. The Committee agreed that the learner experience must be paramount in its assessment of risk.

- 8.2** The Committee **RECEIVED** a Report on actions taken since the last meeting regarding the implementation of previous audit recommendations.

9. Internal Audit (Paper AU.14.12)

(a) Internal Audit Progress Report 2013-14

Scrutton Bland reported that they had completed all the work scheduled for the 2013/14 year as previously agreed with the Committee. The Committee **RECEIVED** their Report.

(b) Final Internal Audit Reports

Paul Goddard from Scrutton Bland (IAS) presented final internal audit reports on International Operations, Corporate Governance, Capital Projects, Computer Control Environment and Estates Management.

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

The aim of the audit of **International Operations** was to review the developing International Work of the College, covering this year management of in-country activity, including student registrations, and the robustness and delivery against the Business Plan approved by the Board in October 2013 and financial performance against budget.

The assurance level was **reasonable (3 of 5)** with the Report stating that some robust quality assurance processes have been developed and implemented in this area but some improvement is required, including the development of a specific Risk Register by the International Team.

The Report raises three medium risk recommendations and one low risk recommendation. One previous risk recommendation was reinstated and was raised from low to medium. These were agreed by management.

The Clerk informed the Committee that the Policy & Resources Committee will review the College's International Work next Monday evening.

One member was concerned about the inherent control risks of operating in the countries where we are engaged and the receipt of monies in this area. It was noted that the College has a Bribery Policy and a Money Laundering Policy.

Suzy Wagstaff (Head of International Development) attended for this item and explained the work of her Department to the Committee, in the context of the Internal Audit Report. She felt the key risks for the Department are the policies laid down by the Government of the country in which we are trying to operate, which is virtually impossible to change, and how it constrains our activities, and, secondly, getting the right staff and retaining them in the College to develop and sustain this activity.

The aim of the audit of **Governance** was to ensure that the focus of members of the Senior Management Team and the Senior Leadership Team is aligned, in terms of objectives set, risk management and the College Strategic Plan.

The assurance level was **significant (2 of 5)** with the Report stating that the governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively.

There is clear evidence, according to the Report, of joint planning between members of Senior Management and that the SLT and SMT meetings are effective.

One low risk recommendation was raised, which management agreed.

The Committee noted that work still needs to be done regarding risk registers being produced by individual departments to reinforce the overall College Risk Register. It is the case that departments do report key risks to the Director of Finance so that she can take them into account in updating the College Risk Register. Members asked that this be proceeded as soon as practicable consistent with other demands on time.

A variety of other mechanisms do exist to monitor College risks, e.g. learner attendance, etc and there are individual assessments made for each student to assist their learning experience.

The aim of the audit of **Capital Projects** was to ensure that robust and appropriate frameworks are in place to manage the College's Capital Builds (Thurrock and Basildon) so that they are completed on time and the contractual risk monitored. The review included the process to approve costs, monitor progress with the build, appointment of contractors and reporting methods to the Senior Leadership Team and the Board.

The assurance level was **strong (1 of 5)** with the arrangements providing strong assurance that the material risks are managed effectively.

No recommendations were raised. IAS believed that the project management of Thurrock was excellent.

The aim of the audit of **Computer Control Environment** was to ensure that a high quality IT Strategic Plan is in place and being implemented; the College's disaster recovery plan and data restoration processes are effective and are regularly tested and the IT infrastructure in the new Thurrock Campus is being developed and implemented satisfactorily.

The assurance level was **reasonable (3 of 5)** but there are some areas where the adequacy and operation of controls in practice need to be significantly improved.

Four medium risk recommendations were raised and one low risk, all of which were agreed by management.

Some work is needed on linking the College IT Strategy (presently being updated) with the College's overall Strategic Aims and there is a risk that the lack of a comprehensive disaster recovery plan for IT gives a risk that the IT systems might not be able to be recovered in the event of a serious collapse of the system. Such a plan is being formulated and the IAS offered some

advice on improving its content before it is finally approved. It will be important to test the disaster recovery mechanisms as soon as possible.

Management present assured the Committee that any risk here was being appropriately mitigated and the Committee will receive updates through the Audit Recommendations report in the future.

Two added value points were raised – restructure of the IT service in the College between services to learners and services in support of the College's internal IT infrastructure and the move to a virtual back up process with cross campus access, removing the tape based backup hitherto use and replacing with disk backup.

The aim of the audit of **Estates Management** was to ensure that the maintenance and security of all campus buildings is managed efficiently, effectively and economically and that the Estate Department's Project Plan in respect of the new Thurrock Campus' infrastructure is similarly appropriate.

The assurance level was **significant (2 of 5)** with a few areas requiring further improvements to controls.

Four low risk recommendations were raised, one of which was reinstated from the last audit of this area in November 2010, and these were all agreed by management.

Overall, the Estates management system is considered to be effective both in maintenance of the estate and the safety and security of the estate for all users. The issues raised regarding preventative maintenance, KPIs and helpdesk call responses were accepted, having been identified by the Department before audit.

The IAS suggested that Estates Services work could be included as part of the monitoring function of the College Health & Safety Committee and that an inspection document could be instituted to record issues observed by Campus Officers during their regular inspections of each campus, with appropriate follow-up be noted.

Two value added points were raised and one value for money point (new Estates Management System being introduced in October 2014).

One member made the point that Estates Management is about action when matters are raised and not just about recording.

(c) Internal Audit Annual Report 2013/14

Scrutton Bland, IAS presented their Annual Report to the Committee for consideration and comment. After discussion, the Committee **RECOMMENDED** that the Report be approved by the Corporation at its meeting on 6 October 2014.

The Committee **NOTED**, that, in the opinion of the IAS, Scrutton Bland, for the year ended 31 July 2014, South Essex College:

- Has adequate and effective risk management processes
- Has adequate and effective control processes
- Has adequate and effective governance processes

To manage its achievement of the College's objectives.

This opinion will be included in the Statement of Corporate Governance and Internal Control in the College Annual Report for the year ended 31 July 2014. It is one element of how the Board, on the advice of this Committee, assures itself as to the effectiveness of the College's systems, controls and risk management processes.

In summary, the IAS performed and gave opinions on twelve audit areas plus a review of NOVA – Life Skills Solutions and the overall assurance levels were strong (three instances), significant (six instances) and reasonable (three instances). In addition, the review of Life Skills Solutions Limited stated that the controls were judged to be satisfactory.

A total of 71.5 days were spent by IAS, in line with budget.

10. Committee Matters (Paper AU.14.13)

The Clerk presented a summary report arising from the performance review of the financial statements auditor for the year ended 31 July 2013. He also presented the results of the Committee Self-Assessment for the year just ended.

These Reports were **NOTED**.

The Committee Terms of Reference were received by members, but the Clerk noted that, in the light of the Confidential Item attached to these minutes, the Terms will need to be modified and a revised version for approval will be tabled at the next meeting of the Committee on 12 November 2014.

11. Date of Next Meeting

Wednesday 12 November 2014 at 8.30 am at the Southend Campus.

There being no further business the meeting terminated at 11.15 am.

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