

Audit and Risk Committee

Approved Minutes

Minutes of the Meeting of the Committee held at the Basildon Campus on Thursday 6 March 2014 at 9.00 am.

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

In Attendance: Mr A McGarel (Deputy Chief Executive)
Ms D Hurst (Director of Finance)
Mr P Goddard (Scrutton Bland, Internal Audit Service)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

Apologies for absence were received from Mr R Shaunak, Mr A Jordan (MacIntyre Hudson, external auditors) and Mr A Strickland (Scrutton Bland, Internal Audit Service).

The Clerk reported that Andrew Jordan is leaving MacIntyre Hudson and he will be replaced by Mr Mark Eagle, an Audit Director with the firm, who lives in Chelmsford. He has over ten years experience in the FE sector.

2. Standing Orders

Members confirmed that no declarations of interest arose in connection with the agenda. The internal 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.

3. Urgent Business

The Clerk reported that Mr Paramjit Singh Narang was appointed to the Board at its December Meeting. He remains on this Committee as a co-opted member as the determined membership of this Committee is five Board Members plus three co-options and therefore there are no vacancies for Board Members on this Committee at present.

The Clerk further reported that all Committee Memberships are to be reviewed by the Search & Governance Committee at its May Meeting.

4. Minutes of the Meeting held on Tuesday 12 November 2013

The Minutes of the Meeting held on Tuesday 12 November 2013 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising

The Clerk reported that

- a. The Corporation approved the Money Laundering Policy, the Financial Statements and the External Auditors' Management Letter for the year ended 31 July 2013 and the Annual Report of this Committee 2012-13 at its Meeting on 9 December 2013.
- b. The Director of Finance confirmed the sufficiency of the College's insurance cover in respect of cash held on the College's premises has been reviewed and the level is currently £10,000 – this may need to be increased and the Director of Finance will report back in this regard.
- c. The DCE indicated that the point as to whether there is any requirement to separately and specifically disclose the value of the directly funded contract which the College holds with HEFCE in the annual financial statements will be taken up with the external auditors this year.

6. Internal Audit (Paper AU.14.01)

(a) Internal Audit Progress Report 2013-14

Scrutton Bland presented this report, indicating that there are seven further audits to be completed during this financial year, one of which is currently in progress. All the others have been timetabled.

(b) Final Internal Audit Reports

Paul Goddard from the Internal Audit Service presented final internal audit reports on Procurement and Contracts Management, Management Information, NOVA – Life Skills Solutions, Human Resources (redundancy payments and HR System) and Higher Education Student Support and National Student Survey.

The scope of all the audits below 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 **Procurement and Contracts Management** was to review the progress made to implement the recommendations raised in the IAS review of this area in 2012/13 and to review how procurement based value for money is obtained and how this is identified, measured and reported.

The assurance level was **reasonable (3 of 5)** with the report stating that IAS considers that significant progress has been made in implementing the recommendations made in 2012/13. Six out of the ten recommendations have been fully implemented, three partially implemented and one remains outstanding.

The Procurement Department have risk assessed the procurement processes followed for all suppliers where expenditure exceeded £10,000 during the 2012/13 academic year. IAS considered that this has been managed effectively.

Three areas were identified for further work:

1. Review and update of the College Financial Regulations relating to procurement
2. Address the weaknesses identified in respect of invoices raised without a supporting official order
3. Review the approach taken to monitor and report on the performance of the Procurement Department

It was noted that points 1 and 2 as above are not within the direct control of the Procurement Department. It was further noted that point 2 is challenging and the important aspect is that budgetary control is being exercised over expenditure, accepting that sometimes orders cannot be issued at the point when the service is required. Nevertheless, it should be the objective of the finance team to procure orders before the commitment to spend is confirmed with the supplier.

In particular, the e-procurement system (Delta system) in terms of negotiating prices needs to be integrated with the raising of orders for specific items where the price has been agreed.

The review of the Financial Regulations will be completed in time for the Board Meeting in July 2014, which will include review of procurement limits. It is intended that the Regulations will be very similar to Chelmsford College to reflect the shared services working with that College.

Two medium risk recommendations and two low risk recommendations were raised, together with one value added point to further enhance the existing framework and one value for money point.

The aim of the audit of **Management Information** was to evaluate the framework in place surrounding the production of high quality and accurate data and how this is reported to senior management and governors in an appropriate and timely manner, including the utilisation of the dashboard solution, Qlikview.

The assurance level was **significant (2 of 5)** with the report stating that IAS considers the management information available to managers and governors is fit for purpose and the quality of the information will increase through the implementation of projects that are to be delivered by the Head of College Information Services.

Six low risk recommendations were raised and one value for money point.

It was noted the KPI dashboard for Governors is still under development to ensure that it meets the requirements of the Board and IAS considers this initiative to be very positive. It was further noted that the quality of the information being provided compares well with the sector as a whole.

IAS felt therefore that the assurance level was significant, even though there is more work to be done, so that governors get the full benefit of this information being provided.

The Clerk explained how the Board receives through its Committees considerable KPI information and that their detailed examination of such information is reported through to the Board (e.g. attendance, retention, compliance with bank covenants, cash days in hand, budget v actual in finance).

Members urged management to complete this process without delay so that the Board can make best use of the information available in making its judgements. The dashboard system is an interrogation system not a system of compiling information.

There is a challenge in getting staff suitably trained for this work and the risk that, once trained with those skills, they become more attractive in the wider job market.

A report on behalf of the NOVA Partnership at **Life Skills Solutions Limited** was presented to the Committee, having been prepared by IAS.

Based on their findings, the IAS concluded that, in their opinion, the Skills Funding Agency may deem the Provider (Life Skills Solutions Limited) as **satisfactory** on the use of payments and **satisfactory** in respect of the internal controls in place.

They concluded that the documentation quality continues to be robust and represents best practice. Previous recommendations made have been fully implemented. Three new low risk recommendations were made, all of which are being implemented.

The aim of the audit of **Human Resources** was to review the evidence and authorisation in place to support both statutory and any ex gratia payments made to members of staff as part of redundancy settlements and to review the implementation of the new HR system to ensure that it is fit for purpose, meets the College's needs and has been implemented in line with agreed project plan.

The audit covered Redundancy Payments specifically and the HR system generally.

The assurance level for the process of making Redundancy Payments was **significant (2 of 5)** with the Report stating that the College complied with the documented Organisational Change Policy throughout the redundancy process and the contractual requirements were adhered to in all cases.

The College's processes were compliant with the Government's guidelines with regard to the calculation of the number of weeks' redundancy pay, taking into account the age of the staff members and their length of service. It was noted that in May 2013, 61 staff accepted voluntary redundancy and £1,500,000 was paid by the College in severance payments.

There were two small overpayments discovered during the audit but these could not be recovered contractually.

The Committee were reassured that there is no evidence of 're-employment' of individuals who had been part of the voluntary redundancy scheme. The Committee felt that there might well be a case for an audit of Agency Staff/Payments next year. One member was not sure that the programme did not prejudice quality, but the Curriculum & Quality Committee does consider this aspect overall in its deliberations.

One low risk recommendation was made and one value for money point noted.

The assurance level for the Human Resources system in the College generally was **strong (1 of 5)** with the Report stating that the HR system is on target to meet the College's requirements and the planned implementation of the system functions being implemented at the moment will help streamline its processes and enhance the accuracy and clarity of the HR reports available.

One low risk recommendation was made and one value for money point noted, concerning cost effectiveness, improvements in the efficiency of the HR Department and the implementation of a well being strategy.

The aim of the audit of **HE Student Support and the National Students Survey** was to ensure that the HE Student Support services operate within an efficient and effective framework that seeks to continuously improve in order to support students and therefore improve retention.

The aim of the NSS was to ensure that a high profile is given to the Survey and a consolidated and rigorous approach is in place to increase the likelihood that positive survey outcomes are received.

It was noted that the assurance for Student Support was **significant (2 of 5)** and for the HE NSS was **reasonable (3 of 5)**. Data quality was good. The Committee noted that the environment in which this work is done will be changing over the next few years. Satisfaction rates have improved this year by 14pp. As previously agreed, this report will be considered in detail at the Curriculum & Quality Committee Meeting on 19 May 2014.

The Committee **ACCEPTED** the IAS Reports.

7. Risk Management (Paper AU.14.02)

7.1 The Committee **RECEIVED** a Report updating the Committee on the strategic risks facing the College and the mitigations in place to reduce the impact of risks occurring.

Safeguarding has been added to the risk register. The Director of Finance talked the Committee through the revised College Risk Dartboard. Payroll (% of turnover) has moved from amber to red as a risk. Quality issues have moved to amber from red with the implementation of the Quality Improvement Plan and the actions proposed therein being put into place.

The Director of Finance shared with Members the outcomes of the Board Development Day regarding the Risk Appetite of the Board and how this will be factored into the development of the College's Assurance Map. The risk assessment was based on a report from BDO commissioned by the College Finance Directors Group.

The aggregation of the data will be used to populate the risk assurance inherent need matrix and the final assurance map for approval by the Board at the Board Development Day on 23 June 2014.

7.2 The Committee **RECEIVED** a Report from the Director of Finance of actions taken since the last meeting regarding implementation of previous audit recommendations.

The Internal Auditor left the meeting for consideration of the next item.

8. Committee Matters (Paper AU.14.03)

- i) The Clerk asked for papers to be returned from members of the Performance Review of the Internal Audit Service and these were passed to the Director of Finance.

The next 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.

9. Any Other Business

The Clerk enquired of the Committee as to any particular training needs, relating to audit, which they felt necessary. The Clerk recommended that all members study Module 11 of the LSIS Governance Training Materials, which have been provided to all members in hard copy. This module is dedicated to The Audit Committee.

10. Date of Next Meeting

Tuesday 6 May 2014 at 8.30 am at the Southend Campus.

There being no further business, the Meeting terminated at 11.15 am.

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