

Audit & Risk Committee

Approved Minutes

Minutes of the Meeting of the Committee held at the Southend Campus on Tuesday 8 September 2015 at 8.40 am.

Present: Mr R Patterson (Chairman)
Mr Paramjit Singh Narang
Mr T Thompson

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms D Hurst (Director of Finance)
Mr A Strickland (Scrutton Bland, Internal Audit Service) (to item 8(b))
Mr G Spilsbury (Baker Tilly, Internal Audit Service)
Ms S Beavis (KPMG)
Mr R I Millea FCA (Clerk to the Corporation)

The Clerk took the Chair for the first three items on the agenda.

The Clerk welcomed Mr Spilsbury from Baker Tilly to his first meeting of the Committee as the College's new Internal Auditors.

1. Apologies for Absence

Apologies for absence were received from Mr B Morris (due to revised meeting date), Ms L Rieffel and Mr P Little (co-opted member) and from Daniel Harris of Baker Tilly and Bill Lumsden of KPMG..

The Clerk advised that, given the actual membership of the Committee is currently 6 (5 Board + 1 co-optee), the Meeting is quorate with 3 Board Members present.

2. Standing Orders

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

3. Election of Chairman 2015/16

The Clerk called for nominations for Chairman of the Committee for the academic year 2015/16. Bob Patterson was the only nomination received and he was re-elected nem con.

Mr Patterson resumed the Chair.

4. Urgent Business

There were no items of Urgent Business.

5. Minutes of the Meeting held on 11 June 2015

The Minutes of the Meeting held on Thursday 11 June 2015 were **APPROVED** and **SIGNED** by the Chairman.

6. Matters Arising

The Clerk reported that the Board, at its July Meeting, had approved the appointment of Baker Tilly as Internal Auditors to the College commencing with the 2015/16 year. The Committee noted that Baker Tilly have also been appointed as Internal Auditors to Chelmsford College and Essex Shared Services Limited.

7. Risk Management (Paper AU.15.07)

a. Monitoring Report

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

Additional risks have been identified as follows:

1. The future strategy of Essex Shared Services Limited – being reviewed by the Board of ESS Limited on 28 September 2015
2. BIS/DFE area reviews – could lead to opportunities in the longer term but there are possible risks. The results of such reviews are likely to be persuasive and, if not implemented, there could be restrictions on funding
3. Potential SFA/EFA funding audit 2015/16 – this is likely (three years since last carried out) and is a significant risk. A preparation review will be commissioned but it is not yet known by whom, as it depends who is appointed to carry out the review (it could be either KPMG or Baker Tilly).
4. Taxation – there is potential tax payable (up to £100,000) on Gift Aid from SECS to the College – there may need to be a provision in the accounts – Baker Tilly tax department are looking into this – may need to revert to Macintyre Hudson, previous external auditors, who should possibly have dealt with this compliance, as no tax returns have been submitted for some years (2012/13).

Further to these matters, other risks arising include:

1. Continuing reductions in Government funding – current projections suggest reductions of 2% in EFA Funding and 16% in SFA Funding in 2016/17 but could be worse – such a position would push the College into deficit of £2 million + - this results in considerable uncertainty
2. Student accommodation need for HE students following likely removal of provision (currently 45 places) by University of Essex – cost benefit analysis needs to be carried out

The DPCE reported that salary negotiations have been completed with unions locally, outside the national negotiations, so removing the threat of national industrial action – unions locally have agreed a rise of 1.4% for 2015/16. This is a good result.

The DPCE also reported that enrolments appear to be 2% higher than last year but this is subject to confirmation when the final figures are available in about six weeks time. This will give security over this year's funding and therefore whether this year's budget will be met.

b. Audit Recommendations

The Committee **NOTED** that no actions have been taken since the last Meeting regarding implementation of previous audit recommendations, save that recommendations arising from the Internal Audit Report on Financial Shared Services operated by Essex Shared Services Limited, on behalf of the College and Chelmsford College had been added.

It was noted that Baker Tilly will carry out a review audit of the credit control and finance systems of Essex Shared Services Limited in Spring 2016, following through the recommendations made in 2014/15 by Scrutton Bland.

c. Risk Management and Assurance Mapping

The Committee **RECEIVED** an update from the Director of Finance on further progress in establishing Assurance Mapping for the College, as part of the College's overall Risk Management.

An updated Assurance Map (as at August 2015) was tabled and discussed, particularly assurance required on curriculum & quality matters. To ensure full coverage, it was **AGREED** that the Chairman of this Committee and of Curriculum & Quality Committee should meet to review the scope of work being done, both internally and externally (see 8c below).

8. Internal Audit (Paper AU.15.08)

(a) Final Internal Audit Report 2014-15

Andrew Strickland of Scrutton Bland reported that all the work scheduled for the 2014-15 academic year has been completed.

He presented the Annual Report of Scrutton Bland to the Committee for consideration and comment. After discussion, the Committee **RECOMMENDED** that the Report be approved by the Corporation at its Meeting on 5 October 2015.

The Committee **NOTED**, that, in the opinion of Scrutton Bland, for the year ended 31 July 2015, South Essex College:

- Has adequate and effective risk management processes
- Has adequate and effective control processes
- Has adequate and effective governance processes, and
- Has adequate and effective processes for securing efficiency, effectiveness and economy

To manage its achievement of the College's objectives.

This opinion will be included in the Annual Report of this Committee to the Board. The Board will reflect this opinion in the Statement of Corporate Governance and Internal Control in the College Annual Report and Accounts for the year ended 31 July 2015.

A total of 36 days were spent by IAS in 2014-15, in line with budget.

IAS suggested in their Report that the College Board might consider a formal Value for Money strategy, including appropriate key performance indicators, supported by an annual Value for Money report to reflect on the activities and projects delivered during the year that were carried out to improve the College's efficiency, effectiveness and economy (this is on the Assurance Mapping).

The IAS Report is one element of how the Board, on the advice of this Committee, assures itself as to the effectiveness of the College's risk management, governance and control processes.

The Committee **NOTED** that, in future, the Internal Audit Service will not be providing such an Annual Report but will report only on specific assignments it undertakes. The Committee will need to ensure that it acquires sufficient overall assurance to give its Annual Opinion to the Board and this will involve seeking assurances from other providers and/or internally, as well as relying on the work done by the IAS.

This concept is explained more fully in item 8 (c) in these Minutes.

The Committee was reminded that the Annual Report of the Committee will be drafted by the Clerk, incorporating the IAS Report, and presented to the Committee for review and approval at the next Meeting of this Committee.

(b) Internal Audit Report on Risk Management & Governance

The Committee **RECEIVED** a Final Internal Audit Report on Risk Management and Governance from Scrutton Bland.

The aim of this audit was to review the College's Risk Management strategies and processes, including the risk register and risk scoring system, assurance mapping, action plans and reporting to this Committee and the Board.

In addition, the audit reviewed the role and responsibilities of the Clerk to the Corporation, the skills mix of the Board, induction procedures for new governors and other governance policies and practices.

The assurance level was **strong (1 of 5)** with the Report stating that the Risk Management Framework is strong, but with some elements of the wider Framework needing completion, including a procedural document for Assurance Mapping and updating of the Assurance Map.

On governance, strong arrangements were considered to be in place. In particular, the College framework addresses the key findings made within the FE Commissioner's Annual Report for 2013-14 and they further noted a culture of continual development of governance in the College.

No recommendations were raised as a result of the audit. Three value added points were noted:

- Risk management to be the first main business agenda item for this Committee (done in this agenda)
- The Action column on the Risk Register should indicate the date when it was last updated, although there was clear evidence that it was being regularly updated.
- Arrange for new governors to speak with relevant members of the SLT at the time of their induction, preferably before they attend a Board or Committee Meeting

(c) Draft Internal Audit Strategy 2015-16

The Committee **RECEIVED** a Draft Internal Audit Strategy for 2015/16, prepared by Baker Tilly, the College's new internal auditors, incorporating discussions from the Deputy Principal & Chief Executive and the Director of Finance, and input from the Principal & Chief Executive.

The Committee noted that the assignments proposed will provide the Committee with assurance on those particular areas but Baker Tilly will not be providing an overarching opinion on the College's risk management, governance and control systems, as has been the case in the past with the incumbent internal auditors.

It will be the responsibility of the Committee to provide an opinion to the Board on these matters through its Annual Audit Committee Report and, in providing that opinion, the Committee will take account of the areas on which the internal auditors will provide assurance, together with assurances on other areas from other providers or internally.

A total of 34 days is proposed to be spent by Baker Tilly on areas specified in the Draft Strategy, which is higher than the original tender of 25 days. It was agreed to transfer Management Information to 2016/17 which will reduce the days to 30 days.

The assurances which Baker Tilly will provide based on this year's planned work are in the following areas:

- IT Circle – implementation of findings
- Curriculum planning
- Subcontracting provision
- Student experience – work placement and progression
- Management information
- Essex Shared Services Limited – Assets and Debtors

It was agreed that the Chairman of this Committee (and, where necessary, the Chairman of the Curriculum & Quality Committee) will look at the scope of each audit before it commences.

No audits are being planned before the next Meeting of this Committee by Baker Tilly but they will provide scope plans to this Committee (11 November) and to the Curriculum & Quality Committee (9 November) for their next meetings to ensure sufficient assurances are being gained to contribute towards the Annual Report of this Committee.

The Chairman of the Curriculum & Quality Committee will be invited to the next Meeting of this Committee.

A copy of the Minutes of the Curriculum & Quality Committee for 2014/15 will be provided to Baker Tilly to inform them in planning the audits on curriculum and student related matters.

The Committee asked that Reports from Baker Tilly be on an exception basis, but they need to detail the scope of the work and consequent clarity of their findings, conclusions and recommendations.

The Committee discussed the Strategy and **RECOMMENDED** it be approved by the full Board at its Meeting on 5 October.

(d) IT/ILT Consultancy Report

The Committee **RECEIVED** an update report on the actions proposed to address issues raised in the Report on the College's IT Strategy, which the Committee considered at its previous Meeting.

The Committee **NOTED** that the strategy and recommendations suggested by the consultant (CircleIT) had all been accepted by Management and the status regarding implementation of those recommendations was included in the Report.

Implementation will however, be dependent on financial constraints and is likely to mean some elements, especially regarding new devices, will have to wait until 2016/17 and will be in that year's capex bid and budget. A further update Report was requested for the next Meeting of the Committee.

In response to a question from a member, it was agreed that there was no doubt that the College facilities needed improvement and investment that has been and is being made has already improved IT systems (especially for students) but there is more to be done. The risks here are to the smooth operation of the College and its internal systems and also in providing up to the minute facilities for students and teachers.

It was agreed that the Policy & Resources Committee should receive, within the Management Accounts and Finance Report, details of expenditure on IT infrastructure and how it has benefited the College and its students.

Twenty-three recommendations were made and they all are at various stages of being actioned.

The Committee **ENDORSED** the Report and the Actions taken and being taken.

(e) MIS Consultancy Report

The Committee **RECEIVED** an update report on the actions proposed to address issues raised in the Report on the College's MIS Strategy, which the Committee considered at its previous Meeting.

The Committee **NOTED** that the recommendations suggested by the consultant had all been accepted by Management and the status regarding implementation of those recommendations. A further update Report was requested for the next Meeting of the Committee.

Twenty five recommendations were made, thirteen have been completed and the remainder are in progress.

Significantly, the College is tendering for a new single integrated MIS system with learner and course data all being in the one place, with all operational systems will be part of the same product suite and database.

The Committee **ENDORSED** the Report and the Actions taken and being taken.

In respect of (d) and (e) above, the Committee will need to make a judgement as to how much weight to put on this work and the actions taken in framing their assurance opinion for 2015/16.

9. JACOP – Annex C Self-Assessment Questionnaire 2014/15 (Paper AU.15.09)

The Committee **RECEIVED** a copy of the revised Joint Audit Code of Practice, recently issued jointly by the Skills Funding Agency and the Education Funding Agency. They also **RECEIVED** a copy of a recent publication from Baker Tilly entitled 'Audit Committees: Fulfilling Annual Reporting Requirements'.

The Clerk provided the Committee with completed questionnaire, which demonstrates the College's compliance with the requirements of JACOP.

It constitutes an evidential document for the external audit and in support of assurances to be given in the Annual Report of the College regarding regularity, propriety and compliance.

The Committee **REVIEWED** the questionnaire and **RECOMMENDED** it be approved by the Board at its Meeting on 5 October for signature on its behalf by the Chairman and the Principal and Chief Executive.

10. Committee Matters (Paper AU.15.10)

The Clerk **REPORTED** that all Committee Members had completed Committee Self-Assessment forms for the 2014/15 year. The average grade awarded was between 1 and 2. The only area highlighted by two members was that Committee papers are not always sent to members in sufficient time before meetings.

The Clerk presented the Terms of Reference of the Committee for review, which were **AGREED**. Formal approval of the Terms of Reference will be sought at the Board Meeting on 5 October.

11. Date of Next Meeting

Wednesday 11 November 2015 at 9.00 am at the Basildon Campus.

There being no further business, the Meeting terminated at 10.45 am.

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