

Governing Body
AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the meeting held at 5.00pm on 25 November 2014

Present: **K Golding (Chair)** **W Burrlock**
 J Finn **C Manning**

In Attendance: **D J Howells, Deputy Principal**
 P Ewan, Head of Finance
 C Sutherland, Baker Tilly
 S Gravener, Scrutton Bland
 J Bridges, Clerk to the Corporation

No interests relevant to items on the agenda were declared by members.

Action

- 1 Apologies for absence**
Apologies for absence were received from N Roberts (co-opted member), P Goddard of Scrutton Bland and J Smith of Baker Tilly.
- 2 Minutes of the meeting held on 21 October 2014**
The minutes of the meeting were agreed as a correct record. It was confirmed that the scope of the IT Back-Up and Documentation Retention Internal Audit work will cover externally managed back-up and data retention storage arrangements.
- 3 Matters Arising**
From the minutes of the meeting held on 21 October 2014:
 - 2 Minutes of the meeting held on 17 June 2014**
The minutes of the meeting have been amended as requested.
 - 4 Committee Terms of Reference**
The Terms of Reference now include that the Committee's annual report is to also advise on the efficiency, effectiveness and economy processes.
 - 5 Internal Audit Recommendation Tracking Report**
Health and Safety has been moved to the forefront of StaffNet to encourage more visitors to this area of the site. StaffNet is to change visually to a tiled windows look and functionality and as part of that review process members said that it is important that Health and Safety is a 'tile' that features prominently on the Homepage.

A link has been created within the health and safety area to Montie, an online video library containing a range of health and safety topics for training including Fire Safety Awareness. The HR department is co-ordinating the induction and probation reviews to ensure that all staff receive and keep up to date with the mandatory training they require. The College Secretary confirmed that the Health and Safety Manager is also looking at improving how the College communicates its Fire Safety arrangements with students to ensure that they receive and understand important safety procedures such as building evacuation in the event of fire from all campus buildings.

The Estates and Procurement Manager has developed a standard filing system and all project documentation has been filed. In addition these files will also be electronically stored.

It appears that the student in the School of Computing who has been in College for seven weeks, but for some reason was not appearing in College systems, has been enrolled since the start of term and was on the register. The Staff Governor confirmed that the student was not enrolled until 21 October 2014 and it was agreed that he and the Deputy Principal will investigate the circumstances pertaining to this individual case outside of the meeting.

Responses to the outstanding recommendations arising from the HR internal audit undertaken in June are detailed under item 4 of this meeting.

7 Preparation for Committee Annual Report

The Draft report has been prepared and is covered under item 5 of this meeting.

8.iii Learner Records System

It is inappropriate for College Managers to select an audit sample but the College will advise on the learner record areas that may not be representative in order that the College receives value for money from the internal audit fieldwork.

10 Risk Management Update

The report covered under item 10 of this meeting detailed the risks that have been removed from the 2013/14 register and these have been mapped against the risks that have emerged to compile the register for 2014/15.

4 Internal Audit Recommendation Tracking Report

There are nine recommendations arising from internal audit reports in the 2013/14 academic year. Of the nine recommendations four were marked as completed, two as partially completed and three as work in progress. Three of the partially completed/work in progress recommendations have been reassigned to the Deputy Principal and the Technical Support Team instructed to progress the actions with regard to improving the management information available from OneFile and developing other reports for apprenticeship and WBL staff utilisation. The Deputy Principal anticipates that reports in some form or another should be available in the New Year. Each Work Based Learning area needs to use the system to store its student data and this will be up to date and in place for January 2015 after which the reports will be available. The backlog data entry will take one week to administer and this is in hand. Progress against these recommendations will be brought back to the Committee at the 3 March 2015 meeting.

It was noted that three of the four steps with regard to probationary reviews have been closed. The ClearVision system used automatically rolls objectives into the next review if they are not completed and objectives found not to be SMART are referred back to the Manager. These steps will always be ongoing and therefore can never be marked as complete. They have been marked as closed in the acknowledgement that this is standard practice in the department and will continue to be closely monitored. The partially complete recommendation concerning appraisal completion is set to complete in December 2014. Progress will be reported back to the Committee at the 3 March 2015 meeting.

5 Draft Committee Annual Report 2013/14

The Joint Audit Code of Practice requires the Committee to present an annual report to the Corporation. The draft report has been prepared in consultation with the Chair of the Committee. It was noted that the report does not make reference to the effective governance, control and efficiency, effectiveness and economy processes in the statement of internal control section of the report. The use of N/A should also be used consistently in the performance indicator questionnaire section at the back of the report. Subject to these amendments the Committee will recommend that the Corporation approves the report at the 12 December 2014 meeting.

KGolding

6 Audited Accounts for the year ended 31 July 2014

As required by the Joint Audit Code of Practice the annual report and financial statements for 2013/14 were provided to the Committee to inform its consideration of the findings of the external auditors. The Resources Committee is tasked to scrutinise the financial aspects of the Annual Accounts.

Members' attention was drawn to page 20 of the document where external auditors explained that the square brackets and reference to the Education Funding Agency (EFA) are to be removed. At the bottom of page 19 the efficiency, effectiveness and economy processes statement has been added to the review of effectiveness clause. The document has been checked against the Casterbridge model and is found compliant.

The accounts show a breakeven position for the year after pension adjustment. Members asked for an explanation of the application of FRS17 in the accounts. This was explained as accounting for pension contributions in the year as they are paid. Employer contributions for example in the year were £1.77m but the current service cost was £1.428m. The theoretical cost of servicing the pension is more than the actual cost of contributions and in the long term the contribution rate will increase. The Balance Sheet on page 26 shows the net pension liability linked to the pension actuary showing a liability increase in 2013 of £4.621m to £8.584m in 2014.

Pages 1 and 2 of the document reflect the change in Strategic plan and objectives in the year plus the Finance and Property Committee has reviewed and approved the Financial objectives as detailed on page 3. Members asked that the final bulleted point on page 5 details why Intermediate Apprenticeship success rates for 16-18 and 19-24 years old has declined in these areas and what has, or needs to be, done.

DJHowells

On page 10 the reference to the LEP and NALEP under the Employer Stakeholders Heading will be removed as they are one and the same. The section should read that the 'College works closely with NALEP and the GCGPLEP'.

DJHowells

Internal Auditor's advised that their address as listed on page 13 has changed. The details will be provided to the Head of Finance.

JBridges

The Deputy Principal confirmed that the staff costs detailed on page 36 do include hourly paid staff and is therefore a total of all staff costs for the College. The small amount categorised as Restructuring Costs pertain to compromise payments and not as a result of any redundancy made in the year. Members queried that the increase in Administration and Central

Services staff costs looked disproportionate to the number of FTEs in year. The Deputy Principal explained that this could be a re-categorisation issue and will look into it further.

DJHowells

Page 42 provides the details of Magna Carta Consultants Limited and Suffolk Apprenticeships Limited. They are subsidiary companies of the College. Magna Carta Consultants Limited is dormant but has a potential tax liability and Suffolk Apprenticeships Limited has a few transactions remaining in the year but will be dormant in 2015. Suffolk Apprenticeships Limited owes the College £4.7K and this has been provided for in the accounts.

The Western Area Board (page 56) is a notional organisation that encompasses a wide range of public sector, voluntary and community groups, faiths and business organisations in West Suffolk. The College supports the partnership and receives funding to promote continuity in education for young people. The Cross County Co-ordinator, M Faiers, is based at the College to support the activities of the Board and these funds are then paid out to third parties. This is not to be confused with the Bridge Project that is also housed and supported by the College.

Confidential item under paragraph 18(2) of the Instrument and Articles of Government

Members asked the Deputy Principal to check the reason behind why Trade Debtors has increased significantly at the year end. It could be due to fee income invoiced at the year-end but the Deputy Principal confirmed that he would check.

DJHowells

7 External Auditor's Report for the year ending 31 July 2014

The audit of the financial statements and annual accounts for the year ending 31 July 2014 received an unqualified opinion. The external auditor's report summarises the key findings in connection with the audit of the financial statements and subsidiaries and the regularity audit of the College.

Page 3 of the report will be amended to include £204K income omitted from the table and to correct the spelling of 'Barrack'; two 'r's' not one.

External audit work on Income Recognition (page 4) found that the brought forward debtor of £429K and creditor of £633K in relation to SFA/SFA funding in the draft accounts had not been reversed. This has since been adjusted.

The field work for Going Concern has highlighted a risk, following a cumulative surplus of £32K in the years ended 31 July 2013 and 2014 that for the year ended 31 July 2015 the College may breach a loan covenant if it makes a small loss. The forecast for 2015 is for a surplus of £93K and the management of potential covenant breach is monitored very closely by the College, Resources Committee and the Corporation. Information from the bank forwarded to Baker Tilly confirms that the College 'may in 2 out of 3 years incur deficit. Items of exceptional nature and transfers to and from reserves shall be excluded.'

Members asked the Deputy Principal to confirm the level of provision in the accounts concerning the Barrack Wall and advised that this provision is spent in the year to ensure it is suitably maintained. The Deputy Principal confirmed the provision of £85K.

The auditors carried out audit work in relation to the Western Area Board funding received by the College in a prior period in relation to setting up Studio School. Following discussion with management and a review of correspondence external auditors are satisfied that the College is entitled to use these funds for an alternative purpose. Given the quantum of the amount external auditors consider the intended use as appropriate.

The accounts for Suffolk Apprenticeships Limited have been sent by the College to Baker Tilly. They are not anticipating any issue.

A summary of the unadjusted/adjusted misstatements identified during the course of the audit work can be found in section 5 (pages 11 to 14) of the report. Adjusted misstatements totalled £3.836m. Factual unadjusted misstatements totalled £25K which is not material.

Potential taxable income streams (page 16) are all fine and a recommendation made arising from the audit work that management keep under review miscellaneous income so as to mitigate the risk that this income will become subject to corporation tax. This will be reviewed as part of the monthly management accounts monitoring.

It was confirmed that the fees charged during the year are consistent with those contained within the auditor's plan and independence has been maintained in accordance with International Standard on Auditing (UK and Ireland) 260.

Subject to Baker Tilly finalising the work concerning Suffolk Apprenticeships Limited the Committee will put forward a recommendation to the Corporation at the 12 December 2014 meeting to sign the letters of representation for the Financial Statements and Regularity Audit and to approve the Financial Statements and Annual Accounts for the year ended 31 July 2014.

KGolding

8 Internal Audit Brief

i. Examinations Department

The scope of the internal audit work is to ensure that the systems and processes in place within the Examinations department enable learners to be promptly and accurately entered for examinations, examinations to be successfully conducted and examination results to be accurately and promptly captured. This field work will take place in February 2015 and will focus on the effectiveness of change from paper based systems to electronic.

9 Progress Report

The timetable of planned internal audit work for the year was shared with the Committee. It was noted that Assurance Mapping has been planned for January 2015.

Clerkship was handed over to the Deputy Principal for the following item:

10 Risk Management Update

The Senior Management Team identified via PESTLE analysis the Political, Economic, Social, Technological, Legal and Environmental risks that may emerge and impact the College in 2014/15.

These emerging risks have been cross referenced against the register for last year and transposed to create the Corporate Risk Register for 2014/15. The Committee also received the corresponding Heat Map and an analysis of where risks have been removed or replaced between registers.

Since the release of the papers the Senior Management Team has carried out a review of the register again to make sure that the risks accurately reflect the current environment. Some risks have been merged; risks R041 and R042 for example as essentially they meant the same thing but were expressed differently and separately on the register. Risk R058 has been rated lower as SMT felt that other risks on the register were more prevalent at this time. Risk movement of this review will be reported to the Corporation at the 12 December 2014 meeting.

Members were unsurprised to see that the failure to achieve Maths and English conditional funding requirements leads to reduced income as the top risk on the register. The College has launched a campaign to encourage student attendance and those known not to be attending are subject to disciplinary, are escorted to their class or have explicitly been told that their place at College is jeopardised if they do not attend. Currently there are approximately 100 known students who are not attending which results in a potential loss of income of £400K. The majority of Year 1 students are attending as they were informed at application and enrolment that Maths and English is a condition of their studies but those in Year 2 are harder to encourage particularly when in Year 1 they didn't have to do it and now in Year 2 they do.

The Clerk resumed Clerkship from the Deputy Principal.

11 Committee Self Evaluation

The Committee reviewed the results of the self-evaluation for the Audit and Risk Management Committee for the 2013/14 academic year. The Committee focussed its attention on the scores below 85%. Members said that they felt the lower score of 80% in response to KPI tracking and monitoring of performance was in recognition that this type of reporting is not really relevant to the work of this Committee and therefore is not something to improve upon in the year. The responses to the specific questions exposed a potential training need in answer to 'how do they know what they don't know'. Perhaps an area for members to explore as part of the Governors' First Hand week next year could be Work Based Learning and the use of OneFile. The Clerk will report the actions arising from the results to the Appointments and Governance Committee and this will inform a governance improvement plan.

12. Any other business

None.

Date of next meeting

Tuesday 3 March 2015 at 5.00pm. Room TG1.16

The meeting closed at 6.50pm