Governing Body
AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the meeting held at 5.00pm on 6 October 2015

Present:	K Golding (Chair)	C Manning
	R Inman	J Gazzard
	N Roberts	

In Attendance: S Jones, Vice Principal Finance and Resources
L Moody, Vice Principal Employer Engagement
G Idehen, Business Development Manager
P Ewan, Head of Finance
P Goddard, Scrutton Bland
S Gravener, Scrutton Bland
L Keane, Scrutton Bland
M Snell, Governance External Consultant
J Bridges, Clerk to the Corporation

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

Action

1   Election of Chair
The Corporation reviewed the appointments of Committee Chairs at the 17 July 2015 meeting. K Golding remains Chair to the Audit and Risk Management Committee. All in favour by a show of hands.

2   Apologies for absence
Apologies for absence were received from A Maltpress. H Catchpool and J Smith of Baker Tilly were also absent as no items on the agenda were relevant for their attendance to this meeting. L Keane of Scrutton Bland was welcomed to the meeting. She is to take the role of Audit Assistant Manager and P Goddard takes the place of S Gravener as the Head of Internal Audit for the College.

M Snell, Governance External Consultant, was welcomed to the meeting. He has been contracted by the Corporation to conduct an evaluation of board effectiveness through the Learning Board programme. He will be interviewing governors and observing our Corporation and Committee meetings as part of the programme.

3   Minutes of the meeting held on 16 June 2015
The minutes of the meeting were agreed as a correct record.

4   Matters Arising
From the minutes of the meeting held on 16 June 2015:

 2   Minutes of the 3 March 2015
The corrections to the dates in the minutes have all been made.

 3   IT Backup Arrangements and Primary Document Retention
The procedure has been updated to include that health and safety training records are to be kept for 40 years.

4   Internal Audit Recommendation Tracking Report

The Vice Principal Finance and Resources has received a copy of the draft IT Disaster Recovery Plan. An update on this recommendation is provided for under item 6 of this meeting.

The recommendations previously assigned to the Deputy Principal (David Howells) have been reassigned to the Vice Principal Finance and Resources.

5.i   Renewal of co-opted membership; Nick Roberts

The Corporation approved the appointment at the 17 July 2015 meeting.

6.i   CRM System Implementation

The responsibility of the CRM system has been handed over to L Moody further to her appointment as Vice Principal Employer Engagement. She attended the meeting in place of M Wagner.

The Committee received a report that details specifically how the recommendations arising from the internal audit work have progressed. This is covered in detail under item 6 of this meeting.

An update as to whether the CRM system is to be rolled out beyond the areas of Business Development, Work Based Learning and Marketing is provided for under item 6 of this meeting.

6.ii   Examinations Department

The internal audit report will be shared with the Standards and Excellence Committee and this has been added as an agenda item for the meeting to be held in December 2015.

The Vice Principal Finance and Resources confirmed that late exam fees in 2014/15 cost the College £937.50.

6.iii   Management Information (OneFile)

The recommendations arising from this internal audit work have been reassigned to the Vice Principal Employer Engagement who has initially suggested that a performance measure is more likely to be based around income generated per assessor than caseload.

It was noted that work continues to input every learner to OneFile. This is an "overhang" from learners who have been on programme for several years and due to the complexities and work involved in back filling OneFile the target date for completion of September 2015 has not been achieved. The progress of this recommendation will continue to be monitored through the recommendation tracking report received by the Committee at each meeting.

7.   Progress Report

The Cost Control Report is covered under item 8.i. of this meeting.

8.   2015/16 Draft Audit Plan

The dates of Committee meetings for 2015/16 have been confirmed with all attendees.

Auditors have included related party disclosure interest with regard to SENDAT and SAT in the external audit work.

The March FE Commissioners letter has been received and previously shared with governors.

The acronyms of the Challenges handout have been explained and the list provided as part of the papers to members.

The wording to be used in the Statement of Corporate Governance with regard to the new Good Governance Code will be agreed for the 2015/16 annual accounts.

11. Risk Management Procedure Review
The Corporation approved the procedure at the 17 July 2015 meeting.

12. Internal and External Audit Services
The Corporation approved the appointments of internal and external audit services at the 17 July 2015 meeting.

5   Committee Terms of Reference
Each Committee is asked at their first meeting in the new academic year to review and approve its Terms of Reference. No changes were proposed to be made however the Head of Internal Audit, P Goddard, suggested incorporating or recognising that teaching and learning is a priority for the College and also mentioning in bulleted point 11 the specific risk management processes of assurance mapping and measuring risk appetite. The Clerk will prepare revised Terms of Reference for the Committee to consider at the meeting to be held in November 2015.

JBridges

6   Internal Audit Recommendation Tracking Report
A number of the recommendations arising from internal audit work in 2014/15 are complete and where recommendations have progressed an update was provided for in the status column of the report.

At the request of the Committee the Vice Principal, Employer Engagement, L Moody, and the Head of Business Development, G Idehen, attended the meeting to report the progress made against the recommendations arising from the Management Information (OneFile) and CRM System Implementation internal audit work.

Management Information (OneFile)
The Vice Principal, Employer Engagement has been in post 12 weeks and her assessment of the recommendations arising from the Management Information (OneFile) and CRM System Implementation audit work is that they are both valid. The recommendations will be part of a suite of measurements and progress toward achieving each therefore cannot be taken in isolation. There is a need to look at caseloads but this will be part of a wider review of the contract performance, volume of learners and how staff are utilised. One formula for measuring utilisation and efficiency cannot be replicated across all apprenticeship frameworks as some may have low caseloads but generate high contributions and vice versa. The Vice Principal, Employer Engagement is working with the Finance and IT departments to develop the reports required to measure and analyse performance accurately and these will help in the future to inform the viability of courses long term and how they are delivered. Members challenged if, in the opinion of the Vice Principal, Employer Engagement, OneFile was able to deliver this reporting capability. There is confidence and hope that the software can produce the reports and a low cost solution is available in the interim.

CRM System Implementation

In the opinion of the Vice Principal, Employer Engagement, the CRM system is absolutely fundamental and critical to the College. The system is driven by the Business development team, led by G Idehen, Head of Business Development. Not using the CRM system is not an option for the team and spreadsheets are no longer being used thus eradicating the possibility of duplicating information and employer data. Only the CRM system is used for this purpose. Some progress has been made to roll the system out across the College with the Engineering, Construction, IT and Motor Vehicle teams all underway with their training. The selling point to staff to use CRM is that all their students need work related experience and this system is the best way that this can be managed and is the most efficient way of engaging professionally with employers to take our students on placement. Lots of work has already been completed to adapt the system to make it more user friendly and the team is also looking at improving other processes such as providing employers with workforce training needs analysis and developing an electronic sign up system. The aim is to use the CRM system as a one stop shop for all of our employer data.

L Moody and G Idehen left the meeting at 5.30pm

7   2014/15 Internal Audit Report

Internal Auditors are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, internal control and governance processes.

In the opinion of Scrutton Bland, for the year ended 31 July 2015 the College has adequate and effective risk management, governance, control, efficiency, effectiveness and economy processes and green status has been awarded across all four areas.

The College had made good progress during the 2014/15 academic year in terms of the implementation of software solutions, including the CRM system and OneFile Management Information system, with a view of improving efficiency, effectiveness and economy within the College.

The self-assessment on page 7 of the report shows that all performance indicators have been achieved in the year and it was noted that audit work in summary has produced 5 medium and 19 low recommendations.

Page 9 of the internal audit report provided the Committee with a comparison between the individual assurance levels allocated in the year, as a percentage, against the average number allocated across the General Further Education clients that auditors work with. The College has a 50/50 percentage split of Significant and Reasonable assurance levels while the sector is 11% Strong, 61% Significant, 25% Reasonable and 3% Limited. It was noted that the deliberate approach of the Committee to steer internal audit work based upon the risk register rather than areas where the College is known already to be strong (such as Finance) added value and provided a more accurate reflection of performance and areas for improvement. Members asked that this position is made clear to the Corporation in the annual report of the Committee.

JBridges

8   Internal Audit Reports (undertaken in 2014/15)

i.   Cost Control
The internal work covered two objectives; 1) to confirm that the ordering process, including the level to which procurement needs are planned in advance to minimise the need for late orders to be raised, is robust; and 2) to confirm that the costs, risks to quality and the management of CPD responsibilities are being appropriately managed following the movement of academic hourly paid staff onto fixed term contracts.

Procurement and Processing of Orders
On the surface it appears that the number of invoices received without a purchase order being raised has declined this year compared to last but when figures are pro-rata'd up the position is unchanged. On average the audit work established that it takes four days to raise the purchase order and complete the authorisation route and process. It is recommended that the College undertakes further analysis of why late orders are still being raised and take appropriate steps to address these issues. Two low risk recommendations were made as a result of this internal audit work. Arrangements have already been put in place to ensure that cover is provided for any absence to ensure that purchase orders can be raised and authorised in a timely manner. Directors are being challenged if goods have been procured without following College procedure and a monthly report identifying offenders has been developed and is monitored and managed by the Vice Principal, Finance and Resources.

Quality, Management and CPD of Hourly Paid Staff
The audit established that there is no differentiation in the treatment of teaching staff with respect to whether they are hourly paid, on fixed term contract or permanent members of staff. In some cases, found in the sample, lesson observations and appraisals are not being completed on an annual basis. The audit work also exposed that CPD records are not maintained in a manner which identifies how many hours of CPD each member of staff has completed. As a result the internal work raised two low risk recommendations.

9   Internal Audit Programme Schedule
The schedule shows the internal audit work programmed to take place during the 2015/16 academic year. The Vice Principal, Finance and Resources will agree with the Vice Principal, Employer Engagement which one of the three areas (Apprentice Recruitment, OneFile Follow Up or Computer Control Environment) is to be selected for a one day health check in November 2015.   SJones

10   Internal Audit Briefs
The scopes of the internal audit work are shared with the Committee for information and all briefs have been shared with the relevant responsible manager.

i.   Maths and English
This internal audit work has been carried out this week and the audit debrief takes place tomorrow with the responsible manager tomorrow. The report will be presented to the Committee at the meeting to be held in November 2015.

ii. Study Programmes and Work Related Experience
Audit work takes place in October 2015. The report will be presented to the Committee at the meeting to be held in November 2015.

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<td>iii.</td>
<td>Estates Management
Audit work takes place in February 2016. The report will be presented to the committee at the meeting to be held in June 2016.</td>
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<td>iv.</td>
<td>Learner Retention
Audit work takes place in January 2016. The report will be presented to the Committee at the meeting to be held in March 2016.</td>
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<td>v.</td>
<td>Budget Setting
The audit work has already taken place and the report finalised with management comments made. The recommendations made were expected and focused on areas where consistency in approach could be improved. The report will be shared with the Committee at the meeting to be held in November 2015.</td>
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<td>vi.</td>
<td>Governance
Members asked if the audit work could include coverage of the new Common Inspection Framework as governance is part of the leadership and management grade. Auditors will review the scope of the work.</td>
<td>PGoddard</td>
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<td>vii.</td>
<td>Risk Management
Audit work takes place in May 2016. The report will be presented to the Committee at the meeting to be held in June 2016.</td>
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<td>11</td>
<td>Progress Report
Duplicated item. This is covered under item 9 above.</td>
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<td>12</td>
<td>Assessment of Internal Control Systems (FMCE)
Although the SFA has removed the requirement to complete and submit the FMCE return annually the Committee considers that the FMCE is a useful management tool for the College to benchmark itself against expected good practice. The assessment has been completed in draft in order to determine that the financial management and control arrangements assurance level of the College is effective.

Members commented that the assessment provides the assurance that the College is working to the standards expected and good practice and asked that the Clerk continues to complete the assessment annually.

The yellow highlighted text on pages 8 and 22 will be finalised and the document completed for approval by the Committee at the meeting to be held in November. Subject to these approving these amendments the Committee will recommend the document is approved by the Corporation at the 11 December 2015 meeting.</td>
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JBridges</td>
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<td>Risk Management Update
The Senior Management Team has identified the emerging risks in the year and updated the risk register to ensure that the key risks for this academic year are appropriate.

At a glance the number of risks with a high likelihood of occurrence has increased by 1 in the red zone between the months of July and September and the number of risks within the medium (amber zone) is unchanged (at 9). Risks in the yellow zone have increased from 11 to 14 and 7 risks have now dropped into the green zone (low risks) compared to 4 back in July.</td>
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Members asked how the emerging risks are managed. The College Secretary confirmed that both the risk register and emerging risks are scheduled as a regular KPI with the Senior Management Team and any risk that has emerged is added to the register and managed. Both documents are very much 'live' and part of regular SMT reporting and monitoring.

S Gravener left the meeting at 6.20pm

14   Risk Appetite Framework
The College Secretary proposed introducing a framework to measure the College's risk appetite for new and emerging strategies and has developed a framework based upon research undertaken of Universities and Audit Firms.

The framework measures the four factors that affect the risk appetite of a strategy and the aggregate score is placed upon a continuum line. The higher the score the less appetite there is for the strategy.

The framework could be used throughout the life of a strategy to measure at different points how the College's appetite to risk and success of the strategy progresses.

Members agreed that the framework is a useful tool and asked the College Secretary to discuss the potential to use it as part of the Governors' Strategic Conference in January 2016 with the Principal and Chair of the Corporation. | JBridges

15   Committee Self Evaluation Results
The Corporation and each of its Committees conduct a self-evaluation review of its effectiveness of operation in the 2014/15 academic year. This process is carried out on an annual basis.

The Committee focussed its attention on the scores below 90%. Since the last meeting held in June 2016 the Corporation has recruited and appointed two independent members, one independent co-opted member and a staff governor. The vacancies on this and all other Committees as a consequence have now all been filled.

Members suggested involving managers who have been sponsors of the internal audit work to provide an overview of their area(s) of responsibility. This may help the Committee to understand how areas interlink with each other and may help them to ask more incisive questions. The Committee could also spend time at the beginning of a meeting to take stock of their purpose, what they hope to get out of the meeting and/or how their work can add value. The Clerk will consider how this can be achieved for the next meeting to be held in November 2015. | JBridges

It was also noted that a governor had suggested making more use of online facilities such as an online forum for governors. It is unknown if such a resource would be utilised or valued but the Clerk will try to establish the appetite of other members. | JBridges

16   Any other business
None.

Date of next meeting
Tuesday 24 November 2015 at 5.00pm. Room TG1.16

The meeting closed at 6.50pm