

MINUTES

**Audit and Risk Committee Meeting
held via Microsoft Teams
Tuesday 12th March 2024 at 18:00**

Date and timings:	18:00 to 20:30
Location	via Microsoft Teams
Present (Governors):	Paul Gribbon (PG) (Chair) Roland Anderson (RA) Sue Leonard (SL) Linda Everard (LE) Co-opted Governor Aaron Thompson (AT)
Clerk to the Corporation	Lana Jackman
In attendance	Denise Brown (DB) CEO and Principal David Hughes (DH) Chief Operating Officer Paul Goddard (PGO) (Scrutton Bland) Helena Wilkinson (HW) (Price Bailey) Ansar Mahmood (AM) Vice Principal MIS, IT and Marketing Roney Brooks (RB) Executive Director People & Organisational Development Rick Olver (RO)
Apologies	Zed Mohammed (ZM) Executive Director for Finance
Quorum (4)	
Item	
0.0 Agenda	
1.0 Preliminary items.	
1.1 Apologies for Absence.	Zed Mohammed (ZM) Executive Director for Finance.
1.2 Declarations of Interest.	There were no other new declarations of interest other than those already standing <i>(in accordance with the requirements of section 177 of the Companies Act 2006)</i> .
1.3 Urgent items of other business.	There was notification of one confidential urgent item of business.
2.0 Minutes of previous meeting.	
2.1 Minutes of the meeting held on 19th September 2023.	The Minutes of the meeting held on 19 th September 2023 were <u>APPROVED</u> as an accurate reflection of the meeting.
2.2 Minutes of the Joint Policy & Resources and Audit & Risk Committee meeting 28th November 2023.	

The Minutes of the meeting held on 28th November 2023 were **APPROVED** as an accurate reflection of the meeting.

2.3 Matters Arising.

There were no outstanding matters arising from the minutes that were not discussed elsewhere on the agenda.

3.0 Terms of Reference.

3.1 Committee to review Terms of Reference (ToRs).

LJ gives the Committee an update of the Terms of Reference detailing the process for the development and the principles of them having a clear focus which would set the parameters for the Audit Committee to function efficiently and effectively. LJ adds that the work plan is being drafted with a view to further development and input from the Committee members.

The Committee accepts the verbal update and agree for LJ to move forward continuing work on the Audit and Risk Committee Work and Action Plan (normally referred to as the 'work plan') without the need for an additional workshop.

The Committee approve **recommendation** of the Terms of Reference to the Board.

4.0 Internal Audit Reports- Scrutton Bland.

PGo Scrutton Bland highlights the SECG Internal Audit Report plan and asks the Committee if they still feel that the outlined plan is appropriate and relevant to move forward with? PG responds that he feels that it would be more prudent to reflect on the Audit plan at the end of the year. DH adds that he feels that the current Audit plan is correct and relevant citing various examples including Health and Safety and staff performance due to the time elapsed since these were last reviewed.

4.1 Apprenticeships Recruitment and Employer Engagement.

The Committee noted the items that has significant assurance.

PGo Scrutton Bland reflects on the challenges in the Apprenticeship area for the FE sector and how SECG recommendations in this audit are around having robust processes in this area, utilising the CRM system and keeping learners engaged especially when they are enrolling well in advance of their start date.

RO asks if the CRM system Grow Far is fit for purpose? PGo Scrutton Bland confirms it is but the recommendation is around accessibility of the system and clarity on the use of the system.

4.2 Estates Occupancy.

The Committee noted this report which has reasonable assurance

PGo Scrutton Bland gives a comprehensive reflection on College estate management and how the booking of the rooms sometimes different to occupancy noting that this is common in the sector (137 rooms were looked at but 13 were empty). PGo Scrutton Bland notes that the system does need cleaning up as some rooms on the timetable are unusable or no longer exist.

AM notes that SECG agrees with the report and highlights that he has raised a number of issues noted within the report with the software management company over a long period and they have promised a fix but these have not been resolved. AM notes that SECG are looking internally for a fix that will review the coding particularly for the rooms that are no longer usable (this would be done by adding an additional 'layer' of code so that the original data is still available in case other areas of SECG use this data). AM details the additional work that SECG is looking to do including internally redoing the audit and working with Scrutton Bland on changes to reporting methodology using best practice.

AT asks if the due date of April 2024 is realistic for resolving these issues? AM highlights that this needs to be done ASAP for timetabling for next year, the deadline may need to be slightly pushed back as it is a challenging fix.

PG asks if this is the same system used across all sites and do some Colleges fair better than others? AM notes that the audit took place in Southend College knowing that this is the biggest and will have the most issues.

DH adds that the usage at Thurrock is low due it not being at capacity, also utilisation at The Forum is low as this is mainly HE which has smaller class sizes. In addition Luckyn Lane and Stevenson Road have a lot of high tech kit so the usage fluxes a lot as this is used in batches within a particular provision. DH notes that SECG's priority is ensuring the data and system are correct so this an facilitate room usage improvements.

4.3 General Ledger Payroll Debtors Cashflow.

The Committee noted this report which gives reasonable assurance for Payroll and General Ledger and significant assurance for debtors and cashflow management.

PGo Scrutton Bland notes that this has been a challenging area for SECG but the process and framework has been extremely rigorous and there is a lot of good work in this area by ZM and his team. PGo Scrutton Bland gives the headline comments including that the journal lines need to have full tracking of authorization, this is a weakness of Agresso as the approval relies on emails to back up the approval of journals and the process for changing of bank details for payroll.

DH confirms on the medium risks that journal lines are being approved (outside of the system as the system doesn't support this) and this is being reviewed on a monthly basis.

AT asks if the approval is just an excel spreadsheet and also the emails are being saved in addition to the email as well. DH to check but he believes that this is the case. **ACTION:** DH to check that emails with the journal approvals are being fully saved alongside a spreadsheet confirming approval.

AT asks if it is appropriate for all members of the accounts team to have full access to the system? DH notes that he believes that this is only 4 people but this needs to be confirmed as PGo Scrutton Bland believed it was 12 people however this could be across ESS including Chelmsford side. **ACTION:** DH to check the number of super users and confirm with PGo Scrutton Bland and the Committee.

AT notes the payroll fraud risk and questions if there is any segregation of duties when it comes to making the change i.e. is it one person that would make the change in HR as opposed to someone making a change and another person approving or reviewing that change? The Committee discuss this question fully and it is decided that the Committee should asked SECG management to respond with the formal process to address how gaps in the system are going to be eradicated and an assurance process around this.

ACTION: SECG management to respond with the formal process to address how gaps in the payroll system are going to be eradicated and an assurance process around this.

4.4 Curriculum Quality Assurance.

The Committee noted this report which gives reasonable assurance.

PGo Scrutton Bland notes the key parts of the report including the how the College level QIP flow into the Group level QIP and shaping the quality strategy and putting SMART measures and outcomes in the final document.

RO reflects on the process for this year noting that these actions have been taken and the process is far clearer this year than it has been in previous years.

SL echoes RO point and adds that there is a challenge on how to evidence that the link to the Colleges is there and how this is more explicit.

PGo Scrutton Bland notes that he has developed an AI Board training session which he is happy to give to the Board at a future meeting. DB notes that this should be helpful and timely as SECG is focusing on AI in terms of the curriculum but there is scope to use AI in business support so would welcome this presentation to the Board.

ACTION: AI Board training session to be explored for a preliminary discussion in advance of a Corporation Board meeting.

5.0 Corporate Risk Management

5.1 Risk Register.

DH presents his report on the risk register noting the large risk around learner outcomes. DH notes the downgrade on the financial risk due the positive movement in this area. DH details the most significant residual risk which relates to learner outcomes and this is partly because SECG will not have a full understanding of this until the summer.

DH notes some of the estates risks especially the plant machinery at Luker Road including the pumps in the basement (risk of sewage in the car park) and heating.

DH highlighting the three new risks subcontracting (quality of provision), English and Maths funding and data quality (particularly in the HR systems).

PG notes the heater replacement and asks about the impact for not replacing this? DH responds that there are 16 air handling units at Luker Road, 4 have been replaced and SECG have 2 in storage but these cost £1m each to install which SECG haven't been able to afford to install, these will need DfE funding as SECG is unable to get a loan for the installation. DH notes the DfE funding pots that may go live including a condition based bidding process which SECG will be bidding for the moment it goes live. DH details the mitigations SECG put in place during the January cold snap to manage this fully.

RO asks if the reason for the Luker Road issues is that there was no replacement strategy at SECG since the building was constructed 20 years ago? DH confirms this is the case and SECG is now building a capital maintenance programme which will come to PRC in April. DH notes SECG will be unable to afford to do anything at the right time so it will be a prioritization list.

RA asks if the heating issues at Luker Road will impact on learner experience and results? DH responds that he doesn't believe it will, due to the management of the room allocation, and that during the January period where this was an issue SECG had no complaints from learners. DB notes that retention is very high at SECH particularly at Luker Road so any discomfort has not deterred learners from being at College.

AT asks why the cyber security risk has reduced from 5 to 3? DH responds that SECG is getting constant cyber-attacks to varying degrees however SECG has a lot of software in place to flag these and SECG has sufficient off site backup to limit the impact of a ransomware attack. DH adds that the Cyber Essentials Plus accreditation alongside the other measures outlined does not make SECG infallible but it does put SECG in a better position than a lot of FE Colleges. AM adds that should SECG get a ransomware attack the data is also encrypted so it would be of no use. AM notes that SECG is looking to obtain the software Purview which will flag any staff members sending any unencrypted data.

HW joins the meeting 18:45.

6.0 Final Accounts.

6.1 Final Accounts Year End 31 July 2022.

The Committee **NOTED** the Financial Statements Year End 31 July 2022 have now been signed off by Price Bailey and have been submitted to the ESFA.

6.2 Final Accounts Year End 31 July 2023.

DH details that the audit on the year end accounts 31 July 2023 is still continuing. DH notes that the ESFA have given an extension to the 31 March 2024 however they did ask for additional information for this. DH notes that the lack of accounts for 22/23 is impacting on SECG's ability to bid for grants for additional provision such as the chiropractor course.

DH details that the accounts for PTS have been forwarded today for signing and the other subsidiaries are likely to arrive in the next week. DH notes that the overall SECG accounts position is unfortunately not as advanced.

PG notes that the number of actual working days until the 31st March is only 12-13 which is concerning for the deadline.

HW gives an update noting her frustration with the process and details the effort that has taken place by Price Bailey for this audit. HW notes that the SECG accounts that have been received for 2023 have numerous errors. HW emphasises her frustration with the audit process and the communication issues within the process.

DB asks HW what the Price Bailey process for escalation as she is not aware of the issues as CEO, she has no sight of the fact that there are issues securing information from SECG, responses from SECG and a clean set of accounts. DB asks that she is copied in on communications so that she can troubleshoot and address the problems.

DH responds that the errors relating to the college accounts that HW mentions will be rectified within the next 48 hours to take into account that HW would not be available to receive them on Friday would be on her desk in time for Monday for review.

Both Price Bailey and SECG management detail the frustration from each side, including extensive communication issues and additional queries that were not raised in the 22 accounts that were approved two months ago. The Committee discussed in detail the challenges both sides face regarding the delays and as a consequence the escalating fees, which further impinges on the challenging financial health of the organisation. DH expresses concern for the moving erratic nature and pedantry of the Price Bailey's auditing processes.

PG asks if there is a joint understanding where everyone understands exactly what needs to be done to close this audit? DH responds that there is not and gives a number of further examples of queries. DH notes that he has requested a completion plan but this has not been forthcoming. HW responds that this will be provided once Price Bailey have received a set of accounts.

It is agreed that SECG will provide a clean set of accounts by early next week and Price Bailey will confirm if they feel the accounts are viable to audit and then provide a completion plan. HW noted that Price Bailey is not willing to commit to completion by the 31 March deadline due to the tight timescales.

7.0 Audit recommendations monitoring report.

The clarification of non-green assurance issues were noted.

The Committee had no further questions on this report.

8.0 Whistleblowing and Fraud Termly Report.

The Committee **NOTE** the Whistleblowing and Fraud Termly Report.

PG supported the review of the policy at the new Policy and Resources Committee meeting. PG asks if there are no new cases of whistleblowing is this due to visibility, knowledge of the process and policy or that SECG is in a reasonably good place where no one has felt the need to do this? RB responds that this is a difficult question, there was a flurry of cases reported when the policy was launched. RB notes that SECG whistleblowers have remained at SECG which is unusual in the sector and a positive sign that cases are dealt with appropriately.

9.0 Confidential Items.

10.0 Committee Evaluation.

The Committee to be done via email outside of the meeting.

11.0 Urgent other business.

12.0 Dates of future meetings.

18th June 2024- MS Teams

There being no further business the meeting ended at 20.30 hrs

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

Meeting of the Audit and Risk Committee Meeting

Matters Arising and actions from previous meetings.

Actions to be confirmed ongoing/completed

Actions confirmed completed will be removed from the table.

Item	Actions	Deadline	Lead	Status
Actions from 12 March 2024				
4.3	DH to check that emails with the journal approvals are being fully saved alongside a spreadsheet confirming approval.		DH	
4.3	SECG management to respond with the formal process to address how gaps in the payroll system are going to be eradicated and an assurance process around this.			
4.4	AI Board training session to be explored for a preliminary discussion in advance of a Corporation Board meeting.		LJ/CB	

ⁱ The code of conduct for Governors requires governors to be honest and open with regard to conflicts of interest (either real or perceived). Governors must not use their position for personal gain in business, political or social relationships. Therefore, a governor who has, or may be perceived to have, such a personal interest in a particular matter under consideration should declare that interest, withdraw from all discussions relating to it and take no part in any vote on such matter.