**The Corporation of Newham Sixth Form College**

**Audit & Scrutiny Committee**

**Minutes of the Meeting held on 11 September 2019**

**Members**

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| --- | --- | --- |
| Jay Nair (Chair) | Independent Member  | Present  |
| Shawab Iqbal | Independent Member  | Apologies – Business commitments  |
| Daniela Jung  | Co-opted Member  | Apologies – Other commitments  |
| Julianne Marriott  | Independent Member  | Present |
| Martin Oakeshott | Independent Member  | Present  |
| Miklos Sarosi  | Independent Member  | Present  |

**Non-Members invited to attend**

|  |  |  |
| --- | --- | --- |
| Jerry Barton | Mazars  | Present  |
| Nick Christoforou | Director of Finance & Resources  | Present  |
| Mandeep Gill | Principal & Chief Executive  | Apologies – College commitments  |
| Sohidul Hoque  | Potential Corporation Member  | Present  |
| Robin Jones | Clerk to the Corporation  | Present  |
| Florah Mugwanya | Head of Finance  | Present  |
| Tracy Oko | Assistant Principal Student Services  | Present |

**1 APOLOGIES FOR ABSENCE**

The Committee NOTED and accepted the apologies of absence submitted by Daniela Jung.

Clerks note: The apologies for absence submitted by Shawab Iqbal were received via email at the end of the meeting and, therefore, were not reported at the time.

**2 PRINCIPAL & CHIEF EXECUTIVE**

The Committee NOTED that the Principal & Chief Executive was attending a meeting of the Local Authority’s Planning Committee on behalf of the College, but he hoped to join the meeting of the Audit & Scrutiny Committee if he was able to do so.

**3 DECLARATION OF INTERESTS**

The Members and others present confirmed that there were no declarations of interest to be recorded on this occasion.

**4 MATRIX ANNUAL CONTINUOUS IMPROVEMENT CHECK**

The Committee received the report of the Assistant Principal Student Services concerning the Matrix Standard following the review of the improvement check when it was confirmed that the College’s accreditation was maintained.

It was acknowledged that the feedback was extremely positive which was pleasing for the College. However, it was noted that, due to the staffing restraints over the last year, the post of Careers Co-ordinator had been frozen. An appointment had, however, now been made and work would now be underway in progressing the aims and objectives set out in the Careers Strategy.

The role of parents in the life of the College was highlighted including the role of the Parent Council.

The newly appointed Clerk to the Corporation explained the background to the proposed review of the Terms of Reference of the Corporation Committees. Proposed changes would be discussed with Members before approval was sought for amendments to be made. One theme for the review would be the appropriateness of the scrutiny aspects of the current Audit & Scrutiny Committee.

The Committee agreed:

1. to NOTE with pleasure the report and the maintance of the Matrix accreditation
2. to NOTE that a review of the Terms of Reference of the Audit & Scrutiny Committee was scheduled as part of the governance review and any proposed changes would be presented to the Committee before the Corporation so that Members had an opportunity to comment including on the nature of the “scrutiny” role in the context of the national Audit Code of Practice for College Audit Committees

**5 SOHIDUL HOQUE - WELCOME**

At this juncture the Committee Chair welcomed Sohidul Hoque to the meeting as an observer.

It was explained that the proposed appointment of Mr Hoque to join the Corporation as an Independent Member would be considered at the meeting scheduled for 9 October 2019 when it would also be agreed if he would join the Audit & Scrutiny Committee and or one or more of the other Committees or Groups.

**6 MINUTES OF THE MEETING OF THE AUDIT & SCRUTINY COMMITTEE HELD ON 5 JUNE 2019**

The Minutes of the meeting of the Audit & Scrutiny Committee held on 5 June 2019 were agreed to be a correct record and were signed by the Chair.

**7 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT & SCRUTINY COMMITTEE HELD ON 5 JUNE 2019**

The Committee reviewed the actions agreed at the last meeting and in doing so considered if there were any matters arising which needed attention at this time.

The following issues were addressed:

* Prevent Risk Assessment – Risk Assessments are an agenda item for the next meeting of the London FE Prevent Network, and it was AGREED that any developments including on new formats would be made known to the Committee or the Corporation as appropriate
* Critical incident plan – (1) a College-wide drill was planned for the summer 2020 following liaison with other organisations on the assembly points in neighbouring premises and (2) the Health & Safety update provided for all staff on 4 September 2019 had incorporated reminders on the procedures and protocols for critical incidents
* High Needs Students – the planned review of the accuracy of data in the recent Internal Audit had not yet been progressed but would be competed with due urgency with the outcome made known to Members via email rather than waiting until the next meeting of the Committee
* Internal Audit Plan – 2019/20 – given the root and branch review of corporate governance now underway and the identification of a number of issues which require attention, the Internal Auditors had been requested to defer the planned audit so that matters could be progressed and, in doing so, maximise the benefits for the Corporation

The Committee noted the information provided on the various issues and AGREED to look forward to receiving, via email, the promised update following the review of the accuracy of data on High Needs Students.

*Note: at this point Tracy Oko withdrew from the meeting*

**8 INTERNAL AUDIT – REVIEW OF CORE FINANCIAL CONTROLS – PAYROLL**

The Committee received and discussed the report prepared by the Internal Auditors following the review of the payroll arrangements.

The outcome of the review was to provide a “Substantial Assurance” opinion – the most positive of the three possible outcomes.

One significant recommendation was made by the Internal Auditors – this concerned the proposed addition of a section to the College Financial Regulations outlining the responsibilities concerning salaries and wages. This recommendation was agreed by the College Management and it was proposed to complete by December 2019.

The Clerk took the opportunity to advise the Committee that a comprehensive review of the Financial Regulations was now underway with a timescale of an initial report to the Corporation on 4 December 2019 (possibly 9 October 2019 if this proved to be possible given other priorities) followed up by a “root and branch” update by July 2020.

The Head of Finance drew attention to an inaccurate description in the report prepared by the Internal Auditors of the respective roles and responsibilities of the Finance and the Human Resources Teams although it was stressed that this did not have an impact on the outcome of the review.

The Committee agreed to NOTE:

1. the outcome of the Internal Audit review of the payroll including the “Substantial Assurance” opinion
2. the recommendation to add a section to the Financial Regulations on salaries and wages
3. the review of the Financial Regulations which was now underway and the intention to present recommendations to an early meeting of the Corporation.

**9 IMPLEMENTATION OF INTERNAL AUDIT VISIT RECOMMENDATIONS**

The Committee received the report of the Director of Finance & Resources providing an update on the 9 recommendations arising from reports prepared by the Internal Auditors which have not yet been addressed fully although progress was being made where possible.

The particular attention of the Committee was drawn to three related recommendations dating back to 2016/17 and 2017/18 put forward by the previous Internal Auditors and not the current ones concerning the merits of producing a Commercial Strategy.

To put these three now historical recommendations in context it was explained that the first one was provided with the suggestion that a link should be made to the Campus Master Plan. Subsequently there was a recognition that, given reduced 16-18 year old student numbers at that time, alternative sources of income needed to be identified by the College.

It was appreciated that student numbers had now increased and the position for 2019/20 looked positive. To focus on the College’s core business would have the greatest positive impact on financial health rather than seeking alternative sources of income over and above the renting out of premises and the delivery of some adult education provision.

To progress the development of a full Commercial Strategy would require the preparation of a Business Plan incorporating a cost / benefit analysis and pump priming investment to fund a launch.

The Committee AGREED following discussion:

1. to NOTE the up-to-date position regarding the progress made by the College in addressing the recommendations made by the Internal Auditors (past and present)
2. to NOTE, in particular, the three recommendations associated with the preparation of a Commercial Strategy made by the previous Internal Auditors
3. to RECOMMEND to the Corporation that the three recommendations relating to the Commercial Strategy be removed from the schedule of issues being progressed as no longer being relevant given the changed circumstances since they were put forward
4. to recognise that the Corporation had established a Budget Strategy Task & Finish Group which was due to meet for the first time on 24 September 2019 and it was possible that alternative sources of income may be one theme to be explored with the intention of bringing about an improvement in the College’s financial health.

**10 INTERNAL AUDIT ANNUAL REPORT – 2018/19**

The Committee NOTED the Internal Audit progress report which would inform the basis of the Annual Report to be presented to the Committee on 13 November prior to forwarding to the Corporation on 4 December 2019.

The outcomes from the reviews carried out in 2018/19, including the level of the assurance given by the Internal Auditors, were NOTED to be:

- Student Numbers Forecasting – Adequate

- Curriculum Panning – Adequate

- High Cost Students – Adequate

- Payroll – Substantial

In addition, a Follow Up review had been undertaken by the Internal Auditors and, in line with standard working practice, no assurance level had been given.

**11 RISK REGISTER AND DRAFT ANNUAL RISK REPORT**

The Committee received the following prepared by the Director of Finance & Resources:

- the basis of the Annual Risk Report for 2018/19

- the NewVIc Risk Register for 2018/19

- the NewVIc Risk Register for 2019/20

Members sought clarification of various aspects of the documents presented with the Agenda including the following with the explanations given:

- the enrolment position in 2019/20 should show an increase of around 100 16 to 18-year olds over 2018/19 although it was too early in the year to give a definite assurance – it was possible that the College would be able to apply for additional in-year funding even though normally it was necessary to wait until the following year under the “lagged” arrangements

- the fall in student achievement levels in 2018/19 relative to 2017/18 as anticipated and reported previously due mainly to the introduction of the two-year linear GCE A Levels – this would be covered as a presentation to the meeting of the Corporation on 9 October 2019 when it would be explained that this was a national and not solely NewVIc issue

- Funding of High Needs Learners – £490k of funding included in the budget – much better working relationships with the Newham Commissioning Agent now in place

- the end of year operating surplus would be around £300k – this would be confirmed following the completion of the end of year audit and the presentation of the Financial Statements to the Corporation on 4 December 2019

A Member asked specifically about the basis of determining the number of learners who would be counted for funding purposes. Unlike in schools where funding was based on the number of pupils on roll on a specific date in colleges a student needs to be active for at least 6 weeks (the so called 42 days rule). A student who enrols but is not attending regularly should not be counted unless the College has a good reason which would stand up to audit scrutiny.

The Director of Finance & Resources drew particular attention to the 2019/20 Risk Register which had been coded differently to the previous version to highlight the College Area concerned. The risks for the College associated with cyber-crime had also now been added.

The Committee agreed following discussion:

1. to NOTE the draft Annual Report on Risk supported by the Risk Registers for 2018/19 and 2019/20 and the information provided by the College during the review of the documents
2. to support the view of the Director of Finance & Resources that the College had manged the identified risks well in 2018/19
3. to NOTE that the biggest risks for the College continued to relate to student numbers (enrolment and retention), student achievement and the management of staffing costs
4. to place on record the thanks of Members for the work involved in bringing about improvements in the position associated with High Needs Students including building a relationship with the London Borough of Newham Commissioning Agent

**12 ANNUAL REPORT OF THE AUDIT & SCRUTINY COMMITTEE – 2018/19 – WORKING DRAFT**

The Committee received and NOTED the working draft of the Annual Report of the Audit & Scrutiny Committee for 2018/19.

The Clerk confirmed that the document circulated with the published Agenda was simply an outline and would be completed when the Annual Report of the Internal Auditors and the Management Report from the Financial Statements Auditors were available in mid to late October 2019 for presentation to the Committee on 13 November 2019.

**13 CYBER-CRIME ADVICE FROM THE ESFA**

The Committee received and NOTED the College’s response to the issues identified in the ESFAs recently published guidance on cyber-crime.

A Member asked about the position should key staff not be available and if this would increase the vulnerability for NewVIc in terms of cyber-crime. It was explained that clear procedures were in place in the College and, therefore, the level of threat had been mitigated.

**14 FINANCIAL STATEMENTS – 2018/19 – EMERGING ISSUES AFFECTING THE OUT-TURN**

The Committee received the report of the Director of Finance & Resources relating to emerging issues affecting the budget out-turn for 2018/19.

The most significant new aspect concerned the impact of the High Court ruling against the Government in relation to McCloud and Sargeant although it was noted that the media usually only refer to McCloud. Recently the Government had confirmed that, although raised in the context of firefighters, the ruling would apply to all public sector pensions and, therefore, it was of relevance to the College. Based on the information available the cost in 2018/19 would be £160k and more in subsequent years.

The ruling – which had also been addressed by Court of Appeal and the Supreme Court – meant that the Government was required to introduce a remedy to compensate individuals for the difference in treatment in the pension schemes during the period that unlawful discrimination took place as result of the Government’s so called transitional protection.

The Financial Statements for 2018/19 would need to address in more detail than in the past the remuneration of Senior Postholders. The Corporation had adopted the national Code at the meeting on 1 July 2019 and on 9 October 2019 it was anticipated that a recommendation would be considered for the re-establishment of a Remuneration Committee of the Corporation to have oversight of this and related issues.

Members expressed surprise that there was not a firm figure for end of year commitments included in the summary of the Management Accounts meaning that there was a degree of uncertainty on the budget out-turn. Following discussion, it was suggested that the level of uncertainty warranted a review of College procurement by the Internal Auditors together with all of the associated arrangements such as the determination of capital expenditure.

Whilst such a review would bring great benefit for both Corporation Members and the College Executive, there was the issue to be considered as to the costs of additional audit days. One option – and this would require the approval of the Corporation - would be to defer the planned review of Corporate Governance until 2020/21.

The Committee agreed following a wide-ranging discussion:

1. to NOTE the update provided on issues impacting on the financial health of the College including the recent McCloud case
2. to NOTE that the Financial Statements for 2018/19 would be presented to the Committee on 13 November 2019 together with the report of the Auditors on the year end position
3. to RECOMMEND to the Corporation on 9 October 2019 that the Internal Auditors be asked to carry out a review of the College controls on procurement including the arrangements for including budget commitments in the Management Accounts and the determination of capital expenditure
4. to RECOMMEND to the Corporation that the Internal Audit Plan be revised so that the planned review of Corporate Governance be deferred until 2020/21

**15 COMMENTS ON THE AGENDA SUBMITTED BY A MEMBER OF THE CORPORATION WHO WAS NOT A MEMBER OF THE AUDIT & SCRUTINY COMMITTEE**

The Chair referred to an email received by the Clerk from a Member of the Corporation who was not a Member of the Audit & Scrutiny Committee. This had been submitted in line with the standing invitation to Members of the NewVIc Corporation to make known if they had any comments on an Agenda report. On this occasion it was considered that the issues should be raised with the Executive as operational / management matters or, possibly, left until the meeting of the Corporation when the Minutes of this meeting were presented.

The Clerk explained that at the Corporation’s Planning & Development Session on 2 November 2019 it was proposed to include a session on what was involved in striving to achieve outstanding governance. This would provide a focus for a discussion on whether or not it was appropriate to develop a protocol for the submission of comments on reports before a Committee should it be agreed that such an arrangement be continued at NewVIc.

The Committee NOTED the information provided by the Chair and Clerk on matters raised by Members who were not Members of the Committee.

**16 CALENDAR OF MEETINGS – 2019/20**

The Committee noted the calendar of meetings scheduled to take place in 2019/20:

* Wednesday 13 November 2019
* Wednesday 26 February 2020
* Wednesday 10 June 2020

All meetings are scheduled to commence at 6.30pm.

Looking forward to 2020/21 the Clerk suggested that, if it was thought that a meeting of the Committee was needed in September, it should be later in the month or, possibly, early October. This would enable the Executive and others involved to focus on enrolment and other business critical issues which need attention at the beginning of the new teaching year.

*Note: at this point Jerry Barton from Mazars withdrew from the meeting*

**17 AUDIT & SCRUTINY COMMITTEE – LOOKING TO THE FUTURE**

Members of the Committee had a discussion on a theme for a future session for Members of the Corporation to raise awareness of the work of the Audit & Scrutiny Committee.

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_