

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
7 March 2016**

Minutes

Minutes of a Meeting of the Committee held at the Moulsham Street Campus, Chelmsford on Monday 7 March 2016 at 5.30 pm.

PRESENT: Susan Hughes (Chair)
Heather Clarke
Doug Zeeman
Ray Joy (co-opted Member)

IN ATTENDANCE: Debs Hurst (Assistant Principal, Finance & Risk)
Peter Moore (Deputy Director of Finance)
Andy Sparks (Principal)
Mark Emerson (Director of Information Services)
Caroline Williams (Deputy Principal)
Daniel Harris (RSM, Internal Audit Service)
Marco Iciek (Director of Learner Development & Inclusion)
Rob Millea (Clerk to the Corporation)

The Chair welcomed Doug Zeeman to his first Meeting as a Member of the Committee.

The Committee received a presentation from Steve Hope (Health & Safety Manager) regarding the Annual Health and Safety Update in respect of the College, which included a contribution by Marco Iciek on the safeguarding aspects of the new EVOLVE system for approving and tracking external visits.

Presentation covered the following actions and developments which have taken place during the past twelve months:

Audit Review
H&S Inspection
Risk Assessments
EVOLVE

Key outcomes:

Full & complete monitoring forms for inspections (can be time consuming at the moment as some are still paper based)
Systematic inspections of the College

Communication with Heads of Department has been improved (feedback and recommendations)
Realistic response period for actions
Review of departmental risk assessments

However, timescales still leave the College reactive instead of proactive and so a cloud based audit system using mobile technology is being trialled through Essex Shared Services Limited. This will produce the report and enable Heads of Department to log their response in a shorter time scale. Also, it will continually trigger action when a recommendation has not been actioned.

All H&S staff are shared with South Essex College through ESS Limited.

The audit programme also reviews insurance inspections.

Members were assured that the fundamental duty in this area rests with Department Management and the Health & Safety unit is the audit arm to ensure compliance.

Members were assured that recently a fire review externally for all rooms in the College has been carried out by an external agency.

Members asked about food hygiene – this is part of the responsibility of the Health & Safety monitoring, all the H&S staff have all been trained in this area and audits will be rolled out soon.

EVOLVE system – this was explained to the Committee and it is a cloud based on line computer system which covers the planning, approval and risk assessment of educational visits, sports fixtures, external visitors and extra-curricular activities. It replaces the cumbersome and non-time sensitive existing paper based system.

He explained its facilities and the resource recording. It became operative as from the start of February 2016.

Governors were assured that staff are well aware of what is required and the need for them to follow proper procedure to ensure that there is no unauthorised activity and they are reminded of their duty regularly.

ACTION: PRINCIPAL

Steve and Marco then left the Meeting.

496. APOLOGIES FOR ABSENCE

Apologies for absence were received from Jonathan Swan (Chair) and Stephanie Beavis (KPMG, external auditors). Susan Hughes agreed to chair the Meeting in Jonathan's absence.

The Clerk informed the Committee that Marie Kemp had resigned as a Staff Governor on the Board with effect from 3 March 2016 and, accordingly, from this Committee.

The Membership of the Committee has therefore reduced to five against a maximum number of eight as determined by the Board. The quorum for the Committee is three. The Membership needs to be increased and this issue is on the agenda for the Search & Governance Committee Meeting on 18 March 2016.

497. DECLARATION OF INTERESTS

No declarations were made.

498. MEETING WITH AUDITORS PRIVATELY

It was not considered necessary to meet with the auditors without management present.

499. MINUTES OF THE MEETING HELD ON 16 NOVEMBER 2015

The Minutes of the Meeting held on Monday 16 November 2015 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

500. MATTERS ARISING

The Clerk **REPORTED** that the 2014-15 Annual Report and Financial Statements of the College (including its subsidiary companies) and the Annual Report of this Committee to the Board for 2014-15 were approved by the Board at its Meeting on 11 December 2015.

In response to a question from the Chair, the Assistant Principal, Finance & Risk confirmed that the detailed procedures manual relating to finance is ready and, as a result of the audit about to take place on the finance systems through ESS, the Financial Regulations will be updated as necessary. This is a high level document.

The Financial Regulations will come to the Meeting for review and approval recommendation to the full Board.

ACTION: DEBS HURST

In response to a query from a Member of the Committee, it was confirmed that only Jonathan met with the Principal and Assistant Principal, Finance and Risk regarding the proposed Audit Plan, with which the Committee was not content at the last Meeting and this Meeting did not include the other Members of the Committee.

501. INTERNAL AUDIT

501.1 Revised Audit Plan 2015/16

Following concerns expressed by the Committee at the last Meeting that the work planned by RSM was more in the nature of consultancy rather than true audit, Daniel Harris of RSM presented a revised Audit Plan for the College for 2015/16 for approval by the Committee. This was as a result of discussions between the Chair of the Committee, the Principal and the Assistant Principal, Finance and Risk.

The Plan proposed that the following audits be carried out during 2015/16:

- Examination costs
- Assurance Mapping
- Essex Shared Services Limited (follow up of previous internal audit in March 2015) – jointly with South Essex College – focus on debtor controls and fixed assets

This will utilise the 17 audit days proposed. Is this too low? How does it compare to other Colleges? One Member felt that the Committee was not consulted fully in the development of the revised Plan after the concerns expressed at the last Meeting and it had been done only by the Chairman.

He was assured that the Chairman had taken on board the need for sufficient assurance to be gained when he discussed the draft Plan with the internal auditors and management.

In the future, there will always be some audit assignment focused on Essex Shared Services Limited but the topics will change from year to year.

The Committee were reminded that RSM will not give an overall internal audit opinion on the College's internal controls and risk management systems for 2015/16 as the coverage by them will not be sufficient to justify such an opinion.

They will give opinions as to the operation of the controls in the areas specifically noted above.

It will be the task of the Committee to ensure sufficient additional assurance is derived from other sources in order that the Committee will be in a position to give an opinion on the College's internal control processes and risk management systems to the full Board as part of the Annual Report of the Committee for 2015/16. This Report will be issued in the Autumn of 2016.

A review of the Assurance Mapping by RSM will give comfort that the College is commissioning/arranging sufficient sources of assurance, whether internal or externally generated, in order to inform its opinion on the College's systems in its Annual Report to the Board.

The Agenda paper itemised a number of other areas of assurance on which the Committee can rely, supplemented by additional items mentioned by the Clerk:

- SFA funding audit – September 2015 – no issues arose – see item 501.2 below
- Sub-contracting – commissioned by SFA – carried out in January 2016 – see item b below
- Matrix accreditation – relates to advice and support services for students -scheduled for 19/20 April 2016
- Governance protocols – carried out by new Clerk – to be approved by the Board on 18 March 2016
- Adherence to AoC Code of Good Governance – compliance ensured by Clerk in Autumn 2015
- Compliance with Terms of Reference of Committees for 2015/16 – to be done by Clerk in Autumn 2016
- Ofsted inspection – November 2015 – Report now issued and being acted upon
- Ofsted Improvement Visit – to support & challenge progress – scheduled for 24 March 2016

The Committee noted that the Ofsted Inspection and Improvement Visits are sources of additional assurance but are not audits.

Where considered necessary, other assurance assignments may well be commissioned.

The Committee asked that a schedule of audit assignments taken place over the last five years be provided to help in its assessment as to whether sufficient audit work is being commissioned from RSM.

ACTION: DEBS HURST

The Chair of the Meeting will inform the Chair of the Committee of the Committee's concern over the process by which the revised Plan was drawn up and agree a protocol with the Committee if this happens in the future.

ACTION: SUSAN HUGHES

The Clerk agreed to provide a copy of the draft minutes, once approved by the Chair, to the co-opted member of the Committee.

ACTION: CLERK

On the basis of this information and, after discussion, the Committee:

- a. **APPROVED** the Revised Audit Plan submitted by RSM for 2015/16
- b. **NOTED** the sources of assurance planned for the year 2015/16 to support the proposed end of year opinion of the Committee

but were cognisant that amendment to the Plan may be necessary following the result of the Assurance Mapping audit review by RSM.

501.2 Completed Assurance Reports

The Committee **RECEIVED** two completed Reports – one from RSM on Sub-Contracting provision, as commissioned by the Skills Funding Agency and one from KPMG on SFA/EFA funding, also commissioned by the SFA.

On **Sub-contracting**, the purpose of the Report was to satisfy the Skills Funding Agency that the risks surrounding sub-contracted provision are effectively mitigated.

The College provision in this area is modest but exceeds the £100,000 threshold beyond which the SFA requires lead providers (i.e the College) to obtain a Report from an external auditor on the arrangements in place to manage and control the sub-contractors. These sub-contractors (two) have been used for the last three years.

Mark Emerson spoke to both Reports on behalf of College Management.

Three findings for action were identified and have all been put in place. The Auditor (RSM) is not required to issue an opinion but to report findings to the College and the SFA. None of these findings were of a significant nature so no further action is required by the Committee.

502. RISK MANAGEMENT UPDATE

The Assistant Principal, Finance & Risk presented the following updated documents for consideration and comment by the Committee:

- Risk Register
- Dartboard
- Assurance Map

The **key risks** (rated **RED** on the **dartboard**) are:

- Ofsted inspection grade (and progression to Good)
- Improvement in English & Maths
- Rapid improvement in all curriculum areas
- Future of Chelmsford Training Services Limited
- Achievement of budgeted surplus for this year of £0.2million

The losses of CTS on an accumulated basis have been included in the consolidated accounts of the College in past years. CTS doesn't really have an ongoing identity, it is just having ordinary College business going through it. Discussions are taking place with KPMG, the external auditors, as to how to wind up the Company.

If wound up, the staff of CTS would have to be redeployed – about 25 FTE staff are involved. Their current terms and conditions of employment are not as favourable as the College staff.

Financial Recovery Plan – a surplus is expected this year, albeit very small (around £100K) and our Financial Health is now Satisfactory. The SFA continues to monitor our finances. Next year, we expect to make a surplus but it will not be as much as it would be if asset disposals took place and these are being postponed until the result of Area Reviews.

Such a result would still maintain our Financial Health at Satisfactory.

These risks are continually reviewed by the Senior Management Team and the detailed actions to address the risks are highlighted in the Risk Register.

The Assurance Map has been revised to date and the adequacy of the document and the assurances being sought during the year will be reviewed by RSM, who will report back at the next Meeting of the Committee.

Caroline Williams spoke about the weaknesses identified in the Ofsted inspection and how the College is responding to those challenges. The middle management restructuring to aid curriculum change and

improvement is happening but there is some effect on morale and staff reaction.

The other main issue was English & Maths tuition and results, which is occupying considerable efforts and exertions of the leadership team. There are difficulties in recruiting suitable teaching staff and there are considerable efforts in place to ensure retention and attendance is increased. Students' progress is being closely monitored – especially those on the cusp between a grade of C or D at GCSE.

A recent ACER inspection of English & Maths was very positive.

The Committee noted that the Quality & Learners Committee had examined these issues in detail at their recent Meeting and that the Senior Leadership Team reviews the risk every week.

The Review of the **Assurance Map** was led by Debs Hurst and she explained in detail how assurance is being or will be gained over areas identified in the assurance map. Some will be external and some internal. Some will be from RSM and some from other external sources/consultants. RSM are engaged to review the Assurance Map as a piece of IA work shortly. Health & Safety will be updated following Steve's presentation at the start of this Meeting.

The Committee was keen that the College continually review the strategies over IT security and the internal processes to ensure safety of the systems, but to keep in mind that external stress testing may be worth considering to gain further assurance.

The Committee expressed their appreciation of the Mapping process and how it continues to develop.

The Committee **RECEIVED** the Report.

503. PREVIOUS AUDIT RECOMMENDATIONS

The Committee were updated on progress in actioning previous audit recommendations.

Three actions remain outstanding:

- The adequacy of the financial procedures and controls in place for fixed assets (scheduled for April 2016 as part of ESS follow up audit)
- Marketing Strategy – to be part of next version of the College Strategic Plan which will follow the Area Reviews process
- Subcontracting documentation – to ensure contracts signed before commencement of the contract

The Report was **NOTED**.

ACTION: DEBS HURST

504. ANY OTHER BUSINESS

The Clerk raised two items:

- The Committee is short of Members – the determined membership of the Committee is 8 – current membership following the resignation of Marie Kemp is 5, of whom 4 are Board Members. Heather Clarke is retiring from the Board in the summer when her term as staff governor expires, reducing the membership to 4. Repopulation of the Committee will be considered by the Search Committee at its Meeting on 18 March.
- Committee Training Needs – what do the Committee feel they need at present? The Committee felt that further training should await new Members being appointed to the Committee. It was suggested that it might include Assurance Mapping and How to Read a Balance Sheet.

ACTION: CLERK

505. DATE OF NEXT MEETING

Monday 13 June 2016 at 5.30 pm.

There being no further business, the Meeting terminated at 7.40 pm.

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