

CHELMSFORD COLLEGE
AUDIT COMMITTEE MINUTES
17TH NOVEMBER 2014

PRESENT: Jonathan Swan (Chair)
Susan Hughes
Marie Kemp
Heather Clarke

IN ATTENDANCE: Paul Goddard (Scrutton Bland)
Bill Lumsden (KPMG)
Stephanie Beavis (KPMG)
Andy Sparks (Principal)
Caroline Williams (Director of Quality & Learning)
Mark Emerson (Head of Information, Systems and Planning)
Peter Moore (Deputy Director of Finance)
Debs Hurst (Director of Finance)
John Fowl (Clerk to the Corporation)

446. TO RECEIVE APOLOGIES FOR ABSENCE

Apologies were received from Ray Joy

447. TO RECEIVE DECLARATIONS OF INTEREST AND TO NOTIFY ANY CONFIDENTIAL ITEMS

There were no declarations made or confidential items notified

448. TO MEET WITH AUDITORS WITHOUT OFFICERS PRESENT

There was nothing to discuss under this item

449. TO APPROVE THE MINUTES OF THE MEETING HELD ON 17TH JUNE 2014

The minutes were approved

450. MATTERS ARISING

Under item 438 Debs Hurst explained to the Committee the progress made so far in respect of the Auditor recommendations for Chelmsford Training Services. It was noted that a full financial review will be undertaken in the current year.

Under item 439(b) Mark Emerson explained the work that has been undertaken to improve the hourly paid lecturer system within the College. The Committee was given assurance that hourly paid staff are monitored to ensure they are up to the required standard.

451. TO RECEIVE A PRESENTATION BY PAUL GODDARD OF SCRUTTON BLAND

(Jonathan Swan declared a non-pecuniary interest, as Scrutton Bland are auditors at Anglia Ruskin University)

The Committee was informed that Scrutton Bland had been appointed as auditors for the shared services company recently established and also act as internal auditors at South Essex College. Members were informed that it was considered sensible for Chelmsford College also to appoint Scrutton Bland as their internal auditors for an initial one year appointment with a view to tendering for this service for 2015/16.

Paul Goddard outlined the Scrutton Bland company structure and informed the Committee of their experience in the education sector. The governors present asked a number of pertinent questions and all were responded to satisfactorily. Whilst accepting the need for an initial appointment for one year the committee was keen to appoint internal auditors for 2015/16 following a tender process.

Paul Goddard withdrew from the meeting at this point.

It was **Recommended** that the Board confirms the appointment of Scrutton Bland for the year 2014/15 with a view to tendering for the internal audit service from 2015/16 onwards.

(Paul Goddard, Bill Lumsden and Stephanie Beavis re-joined the meeting at this point)

452. TO RECEIVE THE INTERNAL AUDITOR REPORTS 2013/14

The reports from MacIntyre Hudson were noted and received. Members again expressed their dissatisfaction with the manner in which the audits had been conducted which in turn had led to the decision to change the internal audit service provider.

It was **Resolved** that the reports be received

453. INTERNAL AUDITORS RECOMMENDATION

It was confirmed that Scrutton Bland would be asked to undertake the internal audit for the College and the Committee agreed their plan for 2014/15.

454. To receive the ANNUAL REPORT AND ACCOUNTS 2013/14

Bill Lumsden presented the Management Letter produced for the College and drew attention to a number of new statements that had been included within the commentary.

The Committee was informed that the Beacon House valuation could be a potential risk if the value at the time of disposal is less than the value shown in the accounts.

Members were informed of a potential cash-flow problem due to the unexpected claw-back by the SFA following a recent ministerial decision to change the interpretation of funding rules. This suggested that some short term additional funding would be needed. Governors were informed that a meeting between the college and the SFA would be taking place on 18th November 2014 with the view to them assisting the College with this short term problem. Debs Hurst stressed that funding for next year would continue to be difficult.

Within the Management Letter the Chair sought confirmation that all incidences of irregularity had been reported. It was stated that the issues identified were not considered to be irregularities but simply a difference in interpretation by the SFA Relationship Manager.

It was noted that the gift aid arrangements between the College and the Nursery would change and would have an effect on the accounts in future.

The audits of the subsidiary companies have been completed and an unqualified report has been produced.

Governors were shown the deficit outturn for the year and the cash-flow problems that would impact on the College in February/ March 2015.

Within the auditors' report one medium and two low level recommendations had been made, all of which have been accepted by the College management.

Annual Report and Accounts 2013/14

The Committee received the annual accounts for the College, Chelmsford Training Services and Dovedale Nursery. The gift aid arrangement from Dovedale Nursery has still to be calculated and will in time be included within the College accounts.

Members were taken through the accounts by Bill Lumsden and members were informed that the PF&GP Committee will look at the final accounts in detail at their meeting. It had not been possible to finalise the accounts due to the delay in the SFA forwarding the reconciliation statement. This was due by the end of November 2014.

It was **Recommended** that the Board of the Corporation approve the draft Financial Statements and Management Letter as presented by KPMG

SFA Funding Clawback

It was noted that a recent ministerial decision on the interpretations of the funding rules 2013/14 has resulted in an increase in the expected shortfall for the year. This has risen from a deficit of £55,000 to a sum of £314,000. The College has lodged an appeal with the SFA but the Principal stated he was not optimistic of the outcome. The Principal explained that the College is seeking to increase a number of apprenticeships offered by the College. The Committee received information regarding the enrolment numbers at the College and the implications these would have on the funding for the year. The Chair sought

assurance that the forecast in relation to funding projections were robust and was advised that they were as robust as possible within the funding rules.

It was agreed that the reports produced from funding audits should be shared with the Audit Committee. The Chair expressed his concern that despite the risk controls in place within the College the informality of the dealings between the College and the SFA had made it impossible to control the funding position. It was confirmed that any future variances in funding will be identified within the monthly accounts which are placed on the Governors' portal.

455. TO CONSIDER THE DEVELOPMENT OF ASSURANCE MAPPING

The Chair suggested that given the time the meeting had taken so far that this item should be deferred to the next meeting. But in the meantime it will be considered by the 'risk group' of governors comprising Jonathan Swan, Debs Hurst and Ray Joy.

456. UPDATE ON OUTSTANDING AUDIT RECOMMENDATIONS

Of the 18 recommendations previously made, four had been completed and eight are due for completion by the end of 2014.

Whilst previously the College had not accepted the suggestion to have a Marketing Plan it was noted that the current Marketing Manager will be producing an operational Marketing Plan.

The Committee was informed that a new Health & Safety Officer has been appointed and is addressing the recommendations made by the internal audit service. The Principal confirmed he now undertakes health and safety walks with the Health & Safety Officer to identify problems in the College.

It was **Resolved** that the report be received.

457. RISK REGISTER UPDATE

Members received the Risk Dartboard and noted the key risks as being the Ofsted grading, finances and achievement levels. A Risk Register will be presented at the next meeting of the Committee together with a report/commentary as to how the Department Risk Registers feed into the College Risk Register.

It was **Resolved** that the report be received.

458. TO RECEIVE THE AUDIT COMMITTEE ANNUAL REPORT 2013

The Committee received the draft report.

Bill Lumsden advised that the audit had not been undertaken to compare the College actions with compliance to the UK Code of Corporate Governance as it

applies to FE colleges and therefore this statement should be removed from the report.

It was **Resolved** that the annual report of the Audit Committee to the Board of the Corporation with the suggested amendments be presented to the Board at its meeting on 12th December 2014.

459. ANY OTHER BUSINESS

There was no other business

460. DATE OF NEXT MEETING

The next meeting will be held on Monday 2nd March 2015

Chair

Date