

**CHELMSFORD COLLEGE  
AUDIT COMMITTEE  
26 June 2018**

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Minutes of a Meeting of the Committee held at the Princes Road Campus, Chelmsford on Tuesday 26 June 2018 at 5.30 pm.

**PRESENT:** Susan Hughes (Chair)  
Stuart Hodges  
Amanda Montague  
Doug Zeeman

**IN ATTENDANCE:** Debs Hurst (Vice Principal, Finance & Corporate Services)  
Andy Sparks (Principal)  
Caroline Williams (Deputy Principal)  
Mark Emerson (Director of Information Services)  
Stephanie Beavis (KPMG, external auditors)  
Nathan Ackroyd (KPMG, external auditors)  
Anna O’Keeffe (RSM, Internal Audit Service)  
Rob Millea (Clerk to the Corporation)

**564. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Steve Houghton, who is on leave of absence from the Board and Dan Harris (RSM).

**565. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS**

The Clerk declared his interest as Clerk of South Essex College and Company Secretary of Essex Shared Services Limited.

Both sets of auditors declared their interests as auditors of South Essex College and Essex Shared Services Limited.

The Clerk declared that his wife’s cousin is the Clerk to Writtle University College.

No confidential items were notified.

**566. MEETING WITH AUDITORS PRIVATELY**

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

The Clerk suggested, and the Committee agreed, that a private Meeting on at least an annual basis was desirable and this will be on the Agenda for the next Meeting of the Committee. This does not change the fact that every Meeting will contain this Agenda item.

## **567. MINUTES OF THE MEETING HELD ON 21 NOVEMBER 2017**

The Minutes of the meeting held on Monday 21 November 2017 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

## **568. MATTERS ARISING**

The Clerk **REPORTED** that the 2016/17 Accounts of the College were approved by the Board on 7 December 2017 on the recommendation of this Committee, the Annual Report of the Audit Committee for 2016/17 was approved by the Board on 7 December 2017 on the recommendation of this Committee and the Terms of Reference of this Committee were approved by the Board at that Meeting.

In response to a question from the Chair, the Deputy Principal advised that not all Apprenticeship standards are yet in place.

It was **AGREED** that Debs Hurst would prepare a short summary of the benefits and advantages of ESS Limited in providing services to the College to satisfy the Value for Money test. This will be presented at the next Meeting of the Committee, together with an assurance from the Principal and the Chair of the Corporation (in their capacities as Directors of ESS Limited, which is jointly owned by the College and South Essex College) that they are both satisfied that ESS provides Value for Money.

Debs Hurst confirmed that the Dovedale Nursery surplus from last year has been gift aided to the College as a cash payment.

## **569. RISK MANAGEMENT REPORT**

This Report was **PRESENTED** by the Vice Principal, Finance & Corporate Services, comprising Risk Dartboard, and up to date Risk Register. In addition, the Committee considered the annual renewal of the Risk Management Policy of the College and received a verbal update on the College Financial Regulations.

## 569.1 Risk Register and Dartboard

The College Risk Register was considered by the Committee. There are currently 34 key risks made up of 2 RED risks, 16 AMBER and 16 GREEN.

There are two RED risks:

- Financing and funding – break even position
- English and maths

As regards **Financing and Funding**, the current projection for the 2017/18 results is a deficit of £74K with Financial Health remaining Satisfactory. For the rest of this year and on an on-going basis, cost control and achievement of income projections are the key priorities. The outline Budget for 2018/19 is currently showing a deficit of £250K.

As regards, **English and maths**, this area continues to be challenging, as it is in most FE Colleges in the country. Attendance is still in need of improvement but attendance at the recent examinations has been encouraging. Predicting success rates for functional skills remains high but it is more difficult to predict the achievement rates in the new reformed GCSE (generally regarded as being more difficult).

**Safeguarding** (risk 11 – Reputation) remains a GREEN risk but is slightly increased as a result of Ofsted inspection, which stated that Safeguarding is effective, but recommended that the College needs to address awareness for adults on the threats from extremism. The Committee noted that this recommendation related to a relatively small number of students who only attend College for a limited period each week.

A programme of education is underway in College focusing on a Level 1 qualification on British Values, developed by the Director of Learner Inclusion and Development.

This qualification is being shared with other Colleges, who are impressed with the programme.

The Committee were reminded that review of the Risk Register is a standard agenda item at regular SMT Meetings and is therefore scrutinised on a continual basis.

The Committee **RECEIVED** the Report.

## 569.2 Risk Management Policy

The Committee were advised that the Policy has been updated and they reviewed the amended Policy. The amendments were minor relating to

the reporting of the risk register and risk dashboard on the College intranet.

The Chair noted that the Equality Impact Assessment screening form requires to be completed in respect of this Policy.

**ACTION: DH**

Mark Emerson gave a summary on progress in complying with GDPR as part of Risk Management. It is proposed that the Internal Audit Service will review this compliance as part of 2018/19 Audit Plan.

He mentioned that any potential conflict of interest of him as the College Data Protection Officer will be mitigated by referring a matter to another College DPO. Suitable arrangements for this consultation have been put in place.

Staff training on GDPR is still under way but will be finished soon.

A GDPR Committee has been established to oversee College compliance with GDPR and this will meet regularly. A governor (Doug Zeeman) is a member of this Committee. Any issues arising will be reported to the Board through the link governor. Mark said that the College takes advice from a variety of sources to assist in its compliance routines and processes.

The Committee **RECOMMENDED** that the revised Policy be approved by the Board at its Meeting on 6 July 2018.

**ACTION: CLERK**

### **569.3. College Financial Regulations**

Debs Hurst gave an update Report to the Committee as to progress on amending the Financial Regulations and revised documents will be on the Agenda for the next meeting of the Committee on 11 September. These changes reflect points raised in the recent Internal Audit of Budgeting Control particularly regarding Delegation Authority Levels for Committees and staff.

### **570. INTERNAL AUDIT**

#### **570.1 Internal Audit Progress Report 2017/18**

Anna O’Keeffe **PRESENTED** this Report on progress in respect of agreed Audit Assignments for 2017/18.

The completed audits were Student Journey: Six Weeks, Part 2 (reasonable assurance), Business Continuity (reasonable assurance), Essex Shared Services – Purchase to Payment Process (reasonable assurance) and Essex Shared Services – Budget Setting and Control (substantial assurance).

There has been an advisory review carried out of Governance following the disbanding of the Personnel Finance & General Purposes Committee.

The IAS is also due to carry out an advisory review for the ESFA on Subcontracting Controls later this month, which will complete the programme of agreed work for 2017/18. The outcome of this review will be considered by the Committee at its September 2018 Meeting.

The Report was **RECEIVED**.

**ACTION: RSM**

### **570.2 Internal Audit Completed Reports 2017/18**

As noted above, four audit assignments have been completed this year and one advisory review. The Committee **RECEIVED** these completed Reports.

On **Student Journey (6 weeks):Part 2**, the purpose of the Report was to consider how the College manages student attendance levels and maximises retention throughout the first six weeks of term to meet the 42 day funding requirement. This built upon Part 1 of the Student Journey examined last year which focused on the enrolment and applications process.

The Report gave **reasonable assurance** that the controls in this area were suitably designed and consistently applied.

**No high level** recommendations were raised. There were **two medium** and **two low** recommendations.

**The two medium level** recommendations were raised relating to identifying high absence rates and unapproved absences and the English and maths Task Group.

It was noted that the Missing registers (low level recommendation) is both a small number and percentage of the whole and usually relates to some issues with agency staff not completing the register.

On **Essex Shared Services (Purchase to Payment Process)**, the purpose of the review was to provide assurance over the controls and support mechanisms in place to ensure goods and services are ordered and paid for in line with agreed procedures.

The Report gave **reasonable assurance** that the controls in this area were suitably designed and consistently applied.

**Two low level** and **three medium level** recommendations were made, agreed by management and are being implemented.

The three medium level items related to user set up on the Agresso system, some gaps on the delegation schedules and use of credit checks in determining whether to use a particular supplier.

On **Essex Shared Services (Budget Setting and Control)**, the purpose of the review was to evaluate the adequacy of the budget setting and monitoring programme at the College.

The Report gave **substantial assurance** that the controls in this area were suitably designed and consistently applied.

**One low level** and **one medium level** recommendation were made and agreed by management. The medium level recommendation related to the absence of a document outlining the formal budget setting process. This is in hand to be implemented shortly.

On **Business Continuity**, the purpose of the audit was assess the preparedness of the College in the event of a serious incident impacting the College's ability to operate.

The Report gave **reasonable assurance** that the controls were working effectively.

However, the Report identified areas for improvement relating to the completeness of the business continuity plan and awareness and understanding of that Plan. Furthermore, it has not been tested since it was developed in September.

**One high level** recommendation was made regarding the testing of the Plan as noted above. This is in hand and is scheduled outside term time, i.e. during the summer.

In addition, there were **two low level** and **one medium level** recommendations made. The medium level item related to the

development of Rapid Action Plans in the College in partnership with South Essex College.

The Principal stressed that the Business Continuity issue including the formulation of an effective strategy and testing that strategy is a matter of importance for all staff, not just Senior Management.

He informed the Committee that, in the event of a terrorist incident or major natural disaster (e.g. flooding) in the City of Chelmsford, the College is a nominated point of refuge. This matter is the subject of ongoing planning and liaison with the City Council.

On **Governance**, no audit opinion was provided merely advisory findings. The substance of the review was in respect of governance arrangements being adequate following the disbanding of the Personnel, Finance & General Purposes Committee last July.

The review found that items previously dealt with by the PFGP Committee have been appropriately transferred and discussed by the Board. The review suggested some amendments to the Schedule of Business for the Board to note the PFGP items now dealt with by the Board direct.

The Clerk advised that, provided the Board was content with the former PFGP Committee not being reinstated, he will update the Board governance protocols to formally delete the PFGP Committee Terms of Reference and transfer them to the Board.

#### **ACTION:CLERK**

The Committee **ACCEPTED** the Reports noted above.

### **570.3 Outstanding Audit Recommendations**

The Committee **RECEIVED** a summary of previous recommendations and actions taken.

Thirty recommendations were itemised of which eleven have been actioned and are complete. These will be removed from the next version of this summary.

Actions are in hand on all the other items noted with due dates noted. Some due dates for completion (four) have passed but have been rescheduled. The remaining Actions are in hand but the due date for completion has not yet been reached.

Debs Hurst talked through the recommendations briefly to give the Committee insight as to progress on uncompleted recommendations.

The Committee **NOTED** the Report.

### **571. KPMG AUDIT PLANNING MEMORANDUM 2017/18**

The Committee **RECEIVED** and **CONSIDERED** the Audit Planning Memorandum (APM) for the 2017/18 financial statements audit and regularity audit provided by KPMG, the College's external auditors, noting that it was their third year in post. Stephanie Beavis presented the APM and talked through the content.

The Auditors will complete their work in order to provide their draft Report and Audit Highlights Memorandum to the Meeting of this Committee scheduled for 20 November 2018.

The Clerk agreed to complete the ACOP Self-Assessment Questionnaire for the year and submit it to the auditors (see **572** below)

The Committee **NOTED** that the planned level of materiality advised by KPMG was £300,000, with performance materiality of £225,000, the same figures as last year. An individual difference will be reported to the Committee if it is in excess of £15,000 (last year: the same).

The audit is planned to be risk based and largely of a substantive nature. It is unlikely any reliance will be placed on the work of the Internal Auditors. The Committee noted that going concern will be subject to detailed assessment by KPMG as part of their completion procedures on the audit. This will be a critical judgement as the College Budget for next year is challenging with a deficit budgeted and further considerable savings required to be made and cash flow is likely to be tight.

Stephanie Beavis referred to items listed on page 7 of the Planning Memorandum which constitute key risks in the audit, emphasizing the pensions liability and the valuation of fixed assets, especially Beacon House.

On this latter point, Stephanie indicated that the auditors will wish to satisfy themselves that the value of Beacon House as it stands in the books is realistic in the light of possible selling price, if it has not been sold before 31 July 2018.

As regards the LGPS pension liability, the Vice Principal, Finance and Corporate Services will review this in the light of increased pension contributions. She informed the Meeting that she has been appointed to the Essex LGPS Scheme Members' Advisory Board.

The planned Audit fee is £22,900, which includes £1,900 for the audit of Dovedale Nursery.

The Committee **NOTED** the Audit Planning Memorandum.

## **572. UPDATED AUDIT CODE OF PRACTICE**

The Clerk **PRESENTED** a Report on changes in the **Revised Post-16 Audit Code of Practice 2017 to 2018**, recently issued by the ESFA, replacing the existing Code issued last June.

The Revised Code contains no fundamental changes.

The Clerk noted one point of importance in the revised Code which was a provision that staff governors should not be members of the Audit Committee. The Clerk pointed out to the Committee that the provision said 'should not' and did not say 'must not'.

There was a full discussion and debate on this issue. The Committee acknowledge that there could be a potential risk of a conflict of interest arising if a staff governor served on the Audit Committee, whose role is one of scrutiny over College processes and systems. The Clerk pointed out that a staff governor has often served on this Committee and it was not uncommon throughout the FE sector.

The Clerk also informed the Committee that he covers potential conflicts of interest in the induction process for all governors, including staff governors. To date, no conflicts have arisen and the Clerk was confident that staff governors are aware of their duty to declare a potential conflict of interest regarding an Agenda item with their day to day College role and it rests with the Committee, on advice from the Clerk, to manage any such potential conflict in accordance with College Standing Orders and good practice generally.

The ESFA are understood to be of the view that staff governors can remain on Audit Committees so long as any conflict issues are declared and managed.

In the light of this information, the Committee did not feel it was necessary to exclude staff governors from Membership of this Committee but were cognisant of the potential or perceived risk and committed itself to managing any such issues, if and when they arise.

Having sought the views of the Chair of the Corporation, this matter will be reviewed at the Meeting of the Search, Governance & Remuneration Committee in November 2018. Meanwhile, the existing Committee memberships, which includes a staff governor on the Audit Committee,

will remain in place. These Memberships will be confirmed at the Board Meeting in July.

The Clerk also provided the Committee with a briefing on the revised **Regularity Self-Assessment Questionnaire** and a note of new questions which have been added since last year's version.

The Clerk informed the Committee that he will complete the self-assessment questionnaire supporting the College's assertions regarding regularity, propriety and compliance for 2017/18 and it will be provided to the external auditors as part of the evidence base for their regularity audit. It will be reviewed by the Committee at its September Meeting.

This SAQ, once reviewed by this Committee, requires signature by the Chair of the Corporation and the Principal and the intention is for the Board to approve the SAQ formally and it be signed at the September Board Meeting.

The Committee **NOTED** the Revised Code. The Clerk also said that the Code and the SAQ would be placed on the governors' portal for reference.

**ACTION: CLERK**

**At this point in the Meeting, the internal and external auditors left the room.**

### **573. COMMITTEE MATTERS**

The Clerk **PRESENTED** his Report.

The Clerk distributed the Self-Assessment Checklist for the Committee for 2017/18 and asked Members to return the completed checklist as soon as possible – a Report on this will be provided to the next meeting of the Committee in September.

**ACTION: CLERK**

The Clerk tabled a draft Schedule of Business for the Committee for 2018/19 and this was **AGREED**. It will go to the Board on 6 July for formal approval.

**ACTION: CLERK**

The Clerk informed the Committee that the College, in conjunction with South Essex College and Essex Shared Services Limited, had undertaken a tendering exercise for the appointment of Internal Auditors for 2018/19 and the succeeding two years.

A panel comprising the Principal, Vice Principal, Finance & Corporate Services, the Chair of the SEC Audit Committee and the General Manager of ESS Limited interviewed four firms on 11 June 2018. Their recommendation is that Messrs Scrutton Bland of Ipswich be appointed. As before, this appointment is a joint one between the College, South Essex College and Essex Shared Services Limited.

The Principal gave a summary of the interview process highlighting the panel's view of the suitability of each tenderer. This was matched with the formal procurement scoring for each firm.

The Committee **ENDORSED** this recommendation and **RECOMMENDED** to the Board that Scrutton Bland be appointed at the Board Meeting on 6 July 2018.

#### **574. ANY OTHER BUSINESS**

There were no items of AOB.

Debs Hurst asked the Committee for items which they would like included in the Internal Audit Plan for 2018/19 She will be discussing subjects with Scrutton Bland shortly and the intention is to bring an outline Plan to the next Meeting of the Committee so that there is no delay in Scrutton Bland proceeding with their work.

It is intended that the Board will approve the Plan at the September Board Meeting.

She mentioned that a GDPR compliance review will certainly be included. Also, for 2019/20 the Principal suggested that T Levels preparation and implementation should be included.

Debs Hurst also suggested, and the Committee **AGREED**, that the Committee will be asked to sign off the scope of each Internal Audit assignment before the work is started.

#### **ACTION: DH**

The Committee **AGREED** that the time of Meetings should be changed for 2018/19 to 4.30pm. The Clerk advised that this would require some adjustment to the time of other Meetings scheduled in November and June on the same day.

**ACTION: CLERK**

**575. DATES OF NEXT MEETINGS 2018/19**

Tuesday 11 September 2018 at 4.30 pm.

Tuesday 20 November 2018 at 4.30 pm.

Tuesday 25 June 2019 at 4.30 pm.

There being no further business, the Meeting terminated at 7.15 pm.

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