

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
25 June 2019**

Minutes of a Meeting of the Committee held at the Princes Road Campus, Chelmsford on Tuesday 25 June 2019 at 4.30 pm.

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

IN ATTENDANCE: Debs Hurst (Vice Principal, Finance & Corporate Services)
Andy Sparks (Principal)
Caroline Williams (Deputy Principal)
Jaya Patten (Observer)
Mark Emerson (Director of Information Services)
Nathan Ackroyd (KPMG, external auditors)
Paul Goddard (Scrutton Bland, Internal Audit Service)
Rob Millea (Clerk to the Corporation)

601. APOLOGIES FOR ABSENCE AND WELCOME TO OBSERVER

Apologies for absence were received from Stephanie Beavis (KPMG, external auditors).

The Chair welcomed Jaya Patten, potential new Governor, to the Meeting as an Observer.

602. 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.

The Principal declared his interests as a Director of Essex Shared Services Limited and of ACER Limited.

No confidential items were notified other than items **603** and **612**.

603. MEETING WITH AUDITORS PRIVATELY

As previously agreed (minute **566**), the Committee met privately with the Internal Auditors and External Auditors without Management being present.

Such a Meeting will be held at least annually.

The Clerk will provide confidential feedback on the discussions to Management.

ACTION: CLERK

604. MINUTES OF THE MEETING HELD ON 20 NOVEMBER 2018

The Minutes of the meeting held on Tuesday 20 November 2018 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

605. MATTERS ARISING

The Clerk **REPORTED** that the 2017/18 Accounts of the College and the Audit Highlights Memorandum were approved by the Board on 7 December 2018 on the recommendation of this Committee, the Annual Report of the Audit Committee for 2017/18 was approved by the Board on 7 December 2018 on the recommendation of this Committee and the Terms of Reference of this Committee were approved by the Board at that Meeting.

The Clerk reported that a copy of the ESS Board Minutes of the Meeting held on 12 November 2018 had been circulated to the Committee for information.

The Committee noted that Beacon House had been sold on 28 March 2019 for £2.9 million.

The Quality & Learners Committee received an update on anti-social behaviour in Chelmsford and district at their Meeting on 14 May 2019.

The Committee noted that the in-year business case for 16-18 students funding to the ESFA had been successful and £181K received.

The Committee noted that a new written password policy and health & safety procedures, both of which relate to the College's Continuity Plan, are being tested together with South Essex College.

The Principal made a number of further points relating to the Plan:

- Further work necessary on the Critical incident process and its implementation especially at Princes Road
- A lockdown was trialled at the Moulsham Street Campus
- Further written procedures to be completed

A governor was informed that the College has procedures to monitor visitors to the College. They are never left unescorted and students are aware that this is the College policy. The Safeguarding Committee monitors compliance in this area.

The Government have announced that it will provide mitigation funding for the proposed increase in TPS pension contributions for the year 2019/20 but not thereafter. However, this may change following the forthcoming Spending Review. This amounts to £270K approx. for next year.

The Principal provided an update on collaboration discussions with Writtle University College. The Joint Steering Group has met twice, latterly on 4 April 2019 at Princes Road. Three actions arose from that Meeting:

- Progression of Chelmsford's FE students to WUC
- Legal advice on potential organisational structures (this paper has been circulated to Board Members)
- Potential cost sharing of back room functions

It was noted that the Board will discuss the position and further steps regarding Writtle collaboration at the Meeting next Thursday. The Committee were informed that the WUC Board meets on 12 July 2019 to discuss what they want to do.

Jenny Beaumont asked about the current position on employee grievances and was advised that one has escalated to Tribunal, which will be heard shortly. The College believes it has a strong case.

All other Matters Arising were covered elsewhere in these Minutes.

606. 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.

606.1 Risk Register and Dartboard

The College Risk Register was considered by the Committee, which had been provided with a copy for review and comment. There are currently 26 key risks made up of 2 RED risks, 11 AMBER and 13 GREEN.

There are two RED risks:

- Adult Education Budget – not meeting allocation target for 2018/19
- Revised Ofsted Inspection Framework

As regards the **Adult Education Budget**, the College is confident that the allocation for this year will be achieved, despite currently being under target. Sub-contracting of a modest level (no more than £100K) is likely to continue for the future to help achieve the Budget. The focus on this area is significant because monies are clawed back by the ESFA if the allocation is not 97% utilised in year.

The Committee **AGREED** the Principal's suggestion that the College seek to bring forward efforts to achieve the AEB earlier in the year so as to avoid the last minute need to meet it.

As regards **Ofsted Inspection Framework (revised)**, the College was not able to participate in the pilot inspection due to an incident outside the College's control. Information from Colleges who have participated in a pilot inspection have reported that they involve a great deal more classroom presence by Inspectors than under the previous Inspection Framework. This includes talking to students and teachers.

There are three new risks on the Register – one AMBER and two GREEN.

Commentary on the new risks and the register generally was provided.

In answer to a governor question, it was noted that there is a two year cycle on Risk 7 for Safeguarding Audits by the Local Authority. On a day to day basis, a close eye is kept on learners at risk for whatever reason and they are monitored both educationally and pastorally.

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 were informed that enrolments for 2019/20 are marginally down on the position at this time last year and therefore, there is a possibility that the lagged funding for the College in 2020/21 may

reduce from 2019/20. Meanwhile, every effort is being made to boost enrolments for 2019/20.

The Committee noted that the Government has invoked the new FE Insolvency Regime in respect of Hadlow College, Kent for the first time and this will provide an interesting insight as the process proceeds.

The Committee **RECEIVED** the Report.

606.2 Previous Audit Recommendations

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

Actions are in hand on all the other items noted with due dates noted. Some due dates for completion (three) 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.

606.3 Risk Management Policy

The Committee considered the amended Policy, tabled by the VP, Finance & Corporate Services and **RECOMMENDED** it be approved by the Board at its Meeting on 4 July 2019.

The main amendments relate to a requirement for the College and the Board to review their tolerance of risk annually and that the College and the Board need to agree the risk appetite for the College as part of that process.

It was agreed that a further discussion and analysis of risk appetite would take place at the Governors' Development Day on 18 October 2019.

ACTION:CLERK

The current maximum risk tolerance is 20 and the Policy discusses risk at or above this figure.

607. INTERNAL AUDIT

607.1 Internal Audit Progress Report 2018/19

Paul Goddard **PRESENTED** this Report on progress in respect of agreed Audit Assignments for 2018/19.

The completed audits have been

- ESS Procurement and Fixed Assets
- ESS: Payroll
- Staff Deployment: Agency staff, Assessors and LSAs
- Maths and English attendance (health check)
- ESS: VFM to Chelmsford College (advisory review)
- Assurance Mapping (advisory review)
- Costing Model (advisory reviews)

The Committee received Reports on the three advisory reviews at its November Meeting and this Meeting today received Reports on all the other assignments.

This completes the programme of Internal Audit work agreed by the Committee and Scrutton Bland.

The Internal Auditors were asked to carry out an advisory Sub-contracting Review before the September Audit Meeting, which will be additional to the current Plan.

607.2 Completed Internal Audit Reports

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

On **Essex Shared Services: Procurement and Fixed Assets**, the purpose of the Report was to provide assurance on the governance of the **procurement** function and the efficiency and effectiveness of processes and systems through which purchases and payments are made and to provide assurance on the completeness and accuracy of the **fixed assets** register.

One medium and **one low risk** recommendation were raised.

The **medium level recommendation** was that a physical check should be completed to verify the existence of a sample of items within the fixed asset register, where a book value remains. This was accepted by Management with a deadline of 31 August 2019 for its completion.

The Report gave **strong assurance** in respect of Procurement that the controls in this area were suitably designed and consistently applied and **significant assurance** was given in respect of Fixed Assets.

On **Essex Shared Services: Payroll**, the purpose of the Report was to ensure that the payroll framework is administered effectively and is compliant with internal and external requirements.

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

One **low risk recommendation** was raised.

On **Staff Deployment**, the purpose of the Report was to cover the following areas:

- Risk that agency staff are appointed without completion of a formal needs assessment
- Risk that deployment of permanent work based learning assessors is not optimised and hourly paid assessors are unnecessarily used
- Risk that learning support assistants are not effectively deployed

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

Three low level recommendations were made.

On **Maths and english attendance**, the advisory Report gave a favourable outcome on the College's performance in addressing the risk that insufficient or inconsistent actions are taken to optimise student attendance on maths and English programmes.

Strong assurance was given – no recommendations were raised but two **value added points** were noted in connection with further actions which the College could consider to help improve attendance on these courses.

The Committee noted that this Report had been considered by the Quality & Learners Committee at their Meeting on 14 May 2019.

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

607.3 Internal Audit Plan 2019/20 (draft)

Scrutton Bland **TABLED** a draft Plan for 2019/20 which was **CONSIDERED** by the Committee.

The areas proposed to be covered totalling 18 days of time, including audit assignment management, are as follows:

- GDPR (health check review)
- Capital Projects outturn (health check review)
- Safeguarding and Prevent
- Student withdrawals
- Nursery – Ofsted preparedness
- Health and Safety/Estates Management

As last year, the assignments proposed will provide the Committee with assurance on those particular areas but will not provide an overall internal audit opinion on the college's risk management, governance and control systems and this will continue to be the Committee's responsibility expressed through its Annual Report to the Board.

The Committee wished to confine the number of days on Internal Audit work to 15, as for 2018/19 and it was **AGREED** that the planned audit for Health and Safety/ Estates Management (three days) be postponed till the 2020/21 academic year. This decision was taken, having regard to extent of reporting to the Board on these matters and the positive comments in the last Ofsted inspection.

The Committee **NOTED** that planned audits at Essex Shared Services Limited have not yet been agreed for 2019/20 and those audits will address areas common to Chelmsford College and South Essex College, providing assurance to both Colleges.

The Committee **RECOMMENDED** that the draft Internal Audit Plan for 2019/20, subject to removing the planned work on Health and Safety and Estates Management, be **APPROVED** by the Board at its Meeting on 4 July 2019. The Plan will therefore be in force from 1 August 2019.

ACTION: CLERK

608. KPMG AUDIT PLANNING MEMORANDUM 2018/19

The Committee **RECEIVED** and **CONSIDERED** the Audit Planning Memorandum (APM) for the 2018/19 financial statements audit and regularity audit provided by KPMG, the College's external auditors, noting that it was their fourth year in post. Nathan Ackroyd 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 19 November 2019.

The Clerk agreed to complete the ACOP Self-Assessment Questionnaire for the year and submit it to the auditors (see **609** below)

The Committee **NOTED** that the planned level of materiality advised by KPMG, for the Group is £375,000, with performance materiality of £281,000 (last year: £300,000 and £225,000). An individual difference will be reported to the Committee if it is in excess of £18,000 (last year: £15,000).

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.

Nathan Ackroyd referred to items listed on page 7 of the Planning Memorandum which constitute key risks in the audit, emphasizing the pensions liability and revenue recognition, along with management override which is a default significant risk.

As regards the LGPS pension liability, the Vice Principal, Finance and Corporate Services will review this in the light of increased pension contributions.

The planned Audit fee is £30,589, which includes £2,589 for the audit of Dovedale Nursery and £1,000 for the testing fee in respect of the Teachers' Pension Contributions Certificate. There is more work on regularity now required so the fees have increased over last year.

In respect of the Internal Audit fee, this will be based on the 15 days of work agreed with them and approved by the Committee. It is likely to be in the region of £20,000.

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

609. REVIEW OF FINANCIAL REGULATIONS

Debs Hurst gave an update Report to the Committee as to progress on amending the Financial Regulations. Some minor changes are required namely procedures relating to fixed asset disposals (levels and authorisation) and updating of detailed payroll procedures.

Two appendices are still to be completed relating to procurement and capital projects to complete the suite of documents.

The Audit Committee will received the updated Financial Regulations for review at the next meeting on 10 September 2019 with a view to recommending them to the Board for approval at the Board Meeting on 27 September 2019.

The Committee **NOTED** the position.

ACTION: VP, FINANCE

610. UPDATED AUDIT CODE OF PRACTICE 2018/19

The Clerk **PRESENTED** a Report on changes in the **Revised Post-16 Audit Code of Practice 2018 to 2019**, recently issued by the ESFA, replacing the existing Code issued last June.

The Revised Code contains no fundamental changes.

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 2018/19 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. 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 have been placed on the governors' portal for reference.

ACTION: CLERK

611. COMMITTEE MATTERS

The Clerk **PRESENTED** his Report.

The Clerk distributed the Self-Assessment Checklist for the Committee for 2018/19 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 on 10 September 2019.

ACTION: CLERK

The Clerk tabled a draft Schedule of Business for the Committee for 2019/20 and this was **AGREED**. It will go to the Board on 4 July for formal approval.

ACTION: CLERK

612. ANY OTHER BUSINESS

There were no items of AOB, other than a Confidential Item, in respect of which a separate minute has been prepared and is attached to these Minutes.

613. DATES OF NEXT MEETINGS 2019/20

Tuesday 10 September 2019 at 4.30 pm.

Tuesday 19 November 2019 at 4.30 pm.

Tuesday 23 June 2020 at 4.30 pm.

There being no further business, the Meeting terminated at 6.25 pm.

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