

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
10 September 2019**

Minutes of a Meeting of the Committee held at the Moulsham Street Campus, Chelmsford on Tuesday 10 September 2019 at 4.30 pm.

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

IN ATTENDANCE: Debs Hurst (Vice Principal, Finance & Corporate Services)
Andy Sparks (Principal)
Caroline Williams (Deputy Principal)
Mark Emerson (Director of Information Services)
Paul Goddard (Scrutton Bland, IAS)
Rob Millea (Clerk to the Corporation)

614. APOLOGIES FOR ABSENCE

Apologies for absence were received from Amanda Montague, Jaya Patten, Stephanie Beavis and Nathan Ackroyd (KPMG, external auditors) and Sharon Gravener (Scrutton Bland, IAS).

The Committee noted that Jaya Patten has been appointed to this Committee as from 1 August 2019 but was not able to attend this Meeting.

615. 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. The Clerk informed the Committee that he will cease to act as Clerk to South Essex College on 31 October 2019.

Scrutton Bland declared their interest as Internal 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 Committee noted that the Principal and the Chair of the Corporation are both directors of Essex Shared Services Limited.

Paul Goddard declared that Scrutton Bland act as internal auditors of Writtle University College.

The Principal is a director of ACER and Chair of its legacy company.

No confidential items were notified.

616. MINUTES OF THE MEETING HELD ON 25 JUNE 2019

The Minutes of the meeting held on Tuesday 25 June 2019 were **APPROVED** and **SIGNED** by the Chair of the Meeting, subject to one minor amendment which the Chair initialled in manuscript.

617. MATTERS ARISING

The Clerk **PRESENTED** a Paper outlining Matters Arising from the previous Meeting of the Committee on 25 June 2019, noting the Actions taken as a result.

The Committee **NOTED** that the Board, at its meeting on 4 July 2019, approved the College Budget for 2019/20, planning for a surplus of approximately £400K.

The Board had also **APPROVED** the Committee Schedule of Business for 2019/20 and the Internal Audit Plan for 2019/20.

The Committee **NOTED** that Writtle University College had decided not to further pursue possible merger with the College at their Board Meeting on 12 July 2019. The full Board of the College discussed this at a Special Board Meeting on 5 September 2019 and it will be further explored and developed at the Board Meeting on 27 September 2019 and the Governors' Development Day on 18 October 2019.

The Principal provided an update on the Continuity Plan. Two base rooms have been equipped as safe rooms with appropriate alarm system. Training is to be given to relevant staff and then there will be necessary testing carried out at Princes Road with students. A new digital sign-in system is being introduced for visitors at both Campuses. Generally, there has been good progress.

In response to a question from the Chair, the VP, F&CS stated that there were currently two outstanding and unresolved employee grievances, both of which are expected to proceed to Employment Tribunal. Further information was considered confidential and is included in a separate confidential minute attached to these minutes.

All other Matters Arising are dealt with elsewhere within this Agenda.

618. RISK MANAGEMENT REPORT

This Report was **PRESENTED** by the Vice Principal, Finance & Corporate Services, comprising Risk Dartboard, and up to date Risk Register.

618.1 Risk Register and Dartboard

The College Risk Register, recently updated, was considered by the Committee. There are currently 26 key risks made up of 1 RED risk, 14 AMBER and 11 GREEN.

The GREEN risks are shown on the register but not on the dartboard.

The only RED risk relates to the possible under achievement of Adult Education Budget funding for the year just ended. This could result in a clawback (repayable January 2020) of £60K maximum but it is still conditional on achievement and learning support information from partners which is yet to be finalised. The outturn will be finally known at the end of October.

The Committee was reminded that the current tolerance of AEB funding is 97% of total allocation.

A governor asked if underachievement of AEB is a trend across the sector. The Director of information Services explained that there is reduced funding for Adults from Government through less subsidy and more unapproved courses. In essence, Government expects adults to pay for their training. It is therefore unlikely that AEB income will recover in the future. The utilisation of the budget has also been affected by higher employment in the country.

The previous RED risk relating to the Ofsted Revised Inspection Framework has been moved to AMBER given the level of preparation that has been undertaken in College.

A GREEN risk has been added showing the impact of a no deal BREXIT.

Debs Hurst commented on the risk Register as follows:

Item 2 – lack of suitable staff – there are currently 22 vacancies, of which 50% are for academic staff but, pleasingly, there are only three or four vacancies in 'hard to recruit' areas. Greater use of agency staff might not be necessary for this year therefore it is possible the risk may improve to GREEN.

Item 20 – this will need rewording as Writtle have pulled out of collaboration/merger discussions.

Item 26 – unions objecting to Learning Walk process – unions considered that Walks by management were a form of covert surveillance. The mechanism has been shared with unions and the outcomes. It is noted that the style of Learning Walks will change due to the new Ofsted Framework and it is hoped that this risk will dissipate. Management feel that Learning Walks are an efficient and useful tool in assessing the delivery of teaching.

In response to a governor question, Governors carrying out Learning Walks will not be affected. Governors do feel they give a good opportunity to what is actually happening in the classroom, and is a source of assurance regarding quality of teaching & learning. Staff are content for Governors to undertake Learning Walks.

Item 16 – GDPR data breach reports by staff - one case arose last year, but it was not really a GDPR breach but revolved around the member of staff's perception of GDPR. The Director of Information Services said the College approach is cautious to this risk. Stuart Hodges explained that more training is going on for staff which should bring the risk down further.

To close off the mitigation, the risk will be reworded and training covered fully at induction of staff.

To provide further assurance to the Committee, the Director of Information Services AGREED to prepare a GDPR Report for the next Meeting of the Committee in November.

ACTION: CLERK

The Committee **NOTED** the points made on these risks in the Report.

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.

618.2 Assurance Mapping

This issue has been discussed with Scrutton Bland. The format has become somewhat unwieldy to maintain and update. A presentation on this topic will be made to the full Board at the Governors' Development Day on 18 October 2019 as indicated in minute **618.3** below.

618.3 Risk Management Policy

The Policy has been amended following comments at the Board Meeting in July 2019 to explain the system of assessing risk to the College of particular issues, having regard to the mitigation available, which is based on a 5 x 5 matrix with the total risk score before mitigation of 25.

The Committee **AGREED** that the College should agree its tolerance to risk annually including the extent to which there is an appetite for risk and how that risk varies depending on its nature.

Following that assessment, the College should then formulate a risk Appetite Statement for the year for approval by the Board.

The Internal Auditors will conduct a one hour session at the Board Development Day on 18 October 2019 to discuss the risk appetite and tolerance and produce the Risk Appetite Statement for the current year.

Having regard to the above, the Committee **RECOMMENDED** that the Risk Management Policy be approved by the Board on 27 September 2019.

619. INTERNAL AUDIT

619.1 Internal Audit Annual Report 2018/19

Paul Goddard **PRESENTED** this final Report from Scrutton Bland in respect of agreed Audit Assignments for 2018/19.

The completed audits were

- ESS: Procurement (strong assurance) and Fixed Assets (significant assurance)
 - ESS: Payroll (strong assurance)
 - Staff Deployment: Agency Staff, Assessors and LSAs (significant assurance)
 - Maths and English Attendance (strong assurance)
 - ESS: VFM to Chelmsford College (significant assurance)
 - Costing Model (advisory review) (no opinion)
 - Assurance Mapping (advisory review) (no opinion)
 - Sub contracting Controls (strong assurance)
 - Payroll Matters (special advisory report)
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The Committee received Reports on all these audits at previous Meetings of the Committee during 2018/19, save for Sub contracting Controls and Payroll Matters, which were presented at this Meeting (see minute **619.2** below)

Overall, therefore, there were four assurance Reports completed in the year, with two having strong assurance and two having significant assurance. The advisory Reports showed good progress being made.

The Payroll Matters advisory Report was deemed to be a confidential item and a separate minute is prepared for this and is attached to these minutes.

A total of seven recommendations arose – all of which were low risk.

The Committee were pleased with the benchmarking information provided by the Internal Auditors against other clients of theirs and this gave further assurance to the Committee.

The Report was **RECEIVED**.

619.2 Internal Audit Completed Reports 2018/19

As noted above, two audit assignments have been completed since the last Meeting of the Committee. The Committee **RECEIVED** the last of these completed Reports on Sub-Contracting Controls and Payroll Matters.

On **Sub-contracting Controls**, strong assurance was provided. The substance of the review was to determine whether the College has in place satisfactory systems and controls to manage subcontractors delivering adult education and funding that is funded by the ESFA for the year to 31 July 2019. The total contract value for the year was £145,000 and a review is necessary if the income from this source in a year exceeds £100,000.

Scrutton Bland provided this assurance by way of a certificate and it has been submitted to the ESFA by 31 July 2019, as required.

One low risk recommendation was raised regarding the timing of signing of contracts with the subcontractor.

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

619.3 ESS Internal Audit Plan 2019/20

The Committee **RECEIVED** and **NOTED** the proposed Internal Audit Plan for 2019/20 from Scrutton Bland, in respect of work to be carried out at Essex Shared Services, from which the College derives assurance.

The proposal is that a total of 10 days will be spent by Scrutton Bland on the following assignments for ESS:

- Income/Debtors
- Credit Control practices (advisory review)
- Cash Flow management
- General ledger postings and Balance Sheet reconciliations

This has been endorsed by the ESS Board. Separate reports on each subject will go to each College. The dates for the work to be carried out are yet to be agreed but is likely to be in the early part of 2020 and therefore reports will be received by the June 2020 Meeting of this Committee.

620. Outstanding Audit Recommendations

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

Nine recommendations were itemised of which three 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. The remaining Actions are in hand but the due date for completion has not yet been reached.

Two dates have gone by, in respect of the testing of the College Continuity Plan and College response to emergency actions, but action is underway as reported under Matters Arising and will be fully completed shortly.

However, the Committee **AGREED** that, by its very nature, Business Continuity and Disaster Management are continuing items for the College and therefore ongoing.

Accordingly, the Committee **AGREED** that this subject should be a standing agenda Item for this Committee for the future and therefore it will be removed from the OAR schedule. Progress can then be monitored and scrutinised regularly.

ACTION: CLERK

In response to a governor question, it was reported that staff deployment is also an ongoing recommendation and will be regularly considered by the SMT and reported to the Board through the Human Resources Report at each Meeting.

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

The Committee **NOTED** the Report.

621. FINANCIAL REGULATIONS

The Committee **RECEIVED** and **CONSIDERED** a Paper from the Vice Principal, Finance & Corporate Services outlining proposed detailed changes to the Financial Regulations of the College as part of the annual review of those Regulations.

None of the changes were fundamental but the Committee did note the following

- Recommendation that gifts of alcohol should not be accepted
- Updating of asset disposal process and levels of approval
- Separation of the Anti-Money Laundering and Anti-Bribery Policies
- Definitions are now included in the Anti-Bribery Policy
- ABP to recommend geographic investigation of location of transaction/client (countries deemed to be of high risk)

The VP, Finance & Corporate Services mentioned that Appendices J (procurement policy) and I (capex and major developments) of the Regulations are still to be developed and depend on external developments, e.g. Brexit.

The Committee noted that the Regulations do include details of the main procurement regulations – the question is whether further detail is required.

The full Regulations (including Appendices) have been uploaded to the governors' portal.

The Committee **RECOMMENDED** that the Regulations with completed Appendices be approved by the Board at their Meeting on 27 September 2019.

ACTION: CLERK

622. COMMITTEE MATTERS

The Clerk **PRESENTED** a Report covering the Committee's Self-Assessment for 2018/19, a Review of the Committee's Terms of Reference, Compliance with the Committee's Terms of Reference during 2018/19 and the ACOP Self-Assessment Questionnaire 2018/19, for consideration by the Committee.

The Committee **NOTED** the responses from Members to the Self-Assessment Questionnaire (five) and the Clerk was instructed to monitor the points raised throughout the year in committee or, where relevant, with the Board.

Key points for training/development were

- Further training in understanding the mechanics of preparing the College's accounts – to be included as part of February 2020 Governors' Development Day)
- Increased familiarity with the ACOP and the College's Risk Register and Assurance Framework – included in programme for October 2019 GDD, led by Scrutton Bland
- Increased awareness of the College's financial situation given current sector pressures – regular updates at Board and as part of developing strategy for the College

The Committee were informed that the average grade for graded questions awarded by members for the year was 1.83 (last year 1.9), a slight improvement and above Good (grade 2).

All yes/no questions were answered in the affirmative.

The Committee **RECOMMENDED** the ACOP Regularity Self-Assessment Questionnaire 2018/19, having reviewed the content thereof, be signed by the Chair of the Corporation and the Principal (as Accounting Officer) and passed to the regularity auditor, KPMG. A couple of minor amendments were found to be necessary and these will be adjusted.

ACTION: CLERK

The Committee **AGREED** its Terms of Reference required no amendments and then **RECOMMENDED** that they be renewed by the Board at its next Meeting on 27 September 2019.

ACTION: CLERK

The Committee also **NOTED** its compliance with its own Terms of Reference during the 2018/19 year.

The Clerk explained that he is responsible for ensuring there is necessary liaison between this Committee and the Quality & Learners Committee regarding curriculum matters which may need to be the subject of internal audit examination and the Minutes of both Committees record this liaison.

The compliance document will be amended to reflect this process.

The Committee **NOTED** a letter received in July 2019 from the CEO of the ESFA regarding good governance and issues identified in failing Colleges. The letter was accompanied by a list of 15 steps which should be followed to demonstrate good governance and proper financial scrutiny by Boards of Colleges.

The Clerk presented a paper responding to the 15 steps for consideration by the Committee and it was **AGREED** as an accurate representation of the College's commitment to key governance elements of financial propriety.

The Committee **NOTED** that it had been compliant with its own Terms of Reference during 2018/19.

ACTION: CLERK

623. ANY OTHER BUSINESS

In response to a question from governors regarding data assurance, the Director of information Services explained that when the ILR is submitted, queries are usually raised as part of the review of the returns during the year by the ESFA, to which the College responds.

There have been no serious matters raised over the last year. The Director of Information Services said he would bring a copy of an ILR Report and queries raised to the next Meeting of the Committee for information and to provide assurance over this area of data collection and processing.

624. DATES OF NEXT MEETINGS 2019/20

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 6.05 pm.

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