

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
20 June 2017**

Minutes of a Meeting of the Committee held at the Moulsham Street Campus, Chelmsford on Tuesday 20 June 2017 at 5.30 pm.

PRESENT: Susan Hughes (Chair)
Stuart Hodges
Doug Zeeman

IN ATTENDANCE: Debs Hurst (Assistant Principal, Finance & Risk)
Andy Sparks (Principal)
Caroline Williams (Deputy Principal)
Peter Moore (Deputy Director of Finance)
James Laing (KPMG, external auditors)
Anna O’Keeffe (RSM, Internal Audit Service)
Rob Millea (Clerk to the Corporation)

530. APOLOGIES FOR ABSENCE

Apologies for absence were received from Steve Houghton and Bob Edes (co-opted Member), Mike Tadman (Assistant Principal, People & Services), Dan Harris (RSM) and Stephanie Beavis (KPMG).

It was noted that Bob Edes’ term of office as a co-opted Member of the Committee has now ended.

531. 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 Assistant Principal, Finance & Risk also declared her interest as Director of Finance of South Essex College and as General Manager 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.

532. MEETING WITH AUDITORS PRIVATELY

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

533. MINUTES OF THE MEETING HELD ON 14 NOVEMBER 2016

The Minutes of the meeting held on Monday 14 November 2016 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

It was noted that the Meeting of the Committee scheduled for Tuesday 7 March 2017 was cancelled due to lack of business and the Board had agreed this cancellation.

534. MATTERS ARISING

The Clerk **REPORTED** that the 2015/16 Accounts of the College were approved by the Board on 9 December 2016 on the recommendation of this Committee, the Annual Report of the Audit Committee for 2015/16 was approved by the Board on 9 December 2016 on the recommendation of this Committee and the Terms of Reference of this Committee were approved by the Board at that Meeting.

Workforce strategy

The Committee was informed that an overarching workforce Strategy document is in the process of being prepared to bring together all the existing policies on human resources and to identify any areas for future development. The Assistant Principal, People & Services will report back at the next Meeting of the Committee.

ACTION:MT

Curriculum assessment review

In response to a question from the Committee, the Deputy Principal reported that the provision of curriculum is an ongoing matter which is considered by the Senior Management Team. At this stage, there are no proposals to cut any provision but there is a recognition that the provision needs to be economic in terms of class sizes and general utilisation of facilities. The Principal stated that, during the Area Review, it became clear that our utilisation compared well to other FEDEC Colleges.

Given savings and efficiencies identified and adopted in recent years, there is realistically little more that can be done on this issue.

Student journey audit

This had been delayed but is now in the process of being done.

LGPS

The Assistant Principal, Finance & Risk reported, in response to a governor query, that we, along with other Essex Colleges are in a transitional year. There has been a recent meeting with Hymans Robertson, consultant actuaries, with a view to them doing some work for us to help in future negotiations with Essex LGPS, especially as regards provision of security to LGPS and the programme of deficit funding.

ACTION:DH

535. RISK MANAGEMENT REPORT

This Report was **PRESENTED** by the Principal in the absence of the Assistant Principal, People & Services, comprising Risk Dartboard, and up to date Risk Register.

The College Risk Register was considered by the Committee. There are currently 26 key risks made up of no RED risks, 16 AMBER and 10 GREEN.

There are two new risks since the last iteration of the Register presented to the Board Meeting at the end of March. The Principal informed the Committee that review of the Risk Register is a standard agenda item at regular SMT Meetings and is therefore scrutinised on a continual basis.

The **first** (AMBER Risk) is that the application for Area Review transitional funding (in connection with our proposed cooperation with Writtle) was successful.

The **second** (GREEN Risk) is whether the removal of the PFGP Committee and redistribution of its duties to the Board or other Committees could reduce the capacity of governors to scrutinise the College's finances.

The Risk that the Area Review process might result in a forced merger has been removed now that the Area Review process has been completed.

Two risks reduced to AMBER – Commercial Income and 16-18 enrolments on the basis that mitigations have been put in place, including incorporation of the effects of both on our Budget for 2017/18. The expected surplus for this year is a reducing factor on the impact of these risks also.

The Principal informed the Committee that our claim (Risk 10) for mitigation of the effect of lagged funding on our 16-18 allocation for next year has been unsuccessful, but has been referred back to the ESFA for further dialogue.

ACTION:DH

In answer to a governor question, the Director of Information Services informed the Committee that the SPOC survey is now being done in house. Some provisional data has been received and is being reviewed by SMT. Preliminary data shows an improvement in learner satisfaction over last year based on a reasonable response rate. The final outcome of the survey will come to Board in July 2017 and this data will be used in the College Self-Assessment Report for 2016/17 (risk 22).

ACTION: CLERK

The Committee agreed to consider the attendance of the Principal at Audit Committee Meetings in the future (although not as a Member of the Committee) as there can be argued that there is a conflict of interest. The Clerk indicated that practice on this issue varies between Colleges.

ACTION: CLERK

The Chair expressed her concern as to the number of Members of this Committee to ensure that it is quorate. The determined membership of the Committee is eight but the current Membership is 4 with a quorum of 3. This evening, the attendance is three, therefore only just quorate. It was recognised that, if the PFGP Committee is disbanded, there would be the opportunity to reallocate governors on that Committee to this Committee.

ACTION: CHAIR

The Principal reported (Risk 18) that the PREVENT Agenda has an even higher profile at present due to recent events in the country. Unfortunately, the Essex PREVENT coordinator has left and it is proving very difficult to replace him, thus affecting the processes. A recent issue required liaison with Norfolk, which is not entirely convenient. The College is now seeking to develop links with PREVENT teams in London to strengthen our involvement in this issue. It was also felt that we would try and see if we could improve relationships with adjoining counties e.g. Hertfordshire, Suffolk.

ACTION: MI

Given the horrendous disaster in London last week, the Principal provided assurance to the Committee regarding cladding on College buildings and that it is safe. The Estates Department estates have reviewed our buildings to see if any changes needed and have liaised with the provider of the cladding to ensure that the cladding is compliant and is fire resistant. Confirmation of this has been received. The Principal also

mentioned that we have a two minute target to vacate our buildings in event of fire, which is achieved at fire drills.

The Committee **NOTED** the continued reduction in the College's risk profile due to risk mitigation actions reducing potential impact.

The Committee asked that the Risk Management Policy be put on the Governors' portal, after it has been reviewed by the full Board over the on 7 July.

ACTION: CLERK

The Assistant Principal, Finance & Risk confirmed that the risk appetite reflected in the Policy is determined by the Board and therefore the significant risks are the opinion of the Board. This resulted from a comprehensive exercise being carried out with the Board about two years ago. It was agreed by the Committee that it is time to review this again. Amongst other things, Apprenticeship reform and Technical and Further Education Act 2017 are relevant in a review. A suitable time for the review with the Board would be at the Governors' Development Day in February 2018.

ACTION: CLERK

The Committee **RECEIVED** the Report.

536. INTERNAL AUDIT

536.1 Internal Audit Plan 2017/18

The Committee **RECEIVED** the draft Internal Audit Plan for 2017/18 from RSM, the College's Internal Audit Service.

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 through its Annual Report to the Board.

A governor sought clarification of the cost sharing arrangement with South Essex College when audits cover joint areas which fall within ESS and was informed by the Assistant Principal, Finance & Risk that costs of joint services are divided according to the Joint Venture Agreement, one third to CC and the balance to SEC.

A total of 38 days is proposed to be spent by RSM in the draft Plan. The Committee agreed that this needs to be reworked as the agreed days coverage for the College is 21 per annum. As a result, a wide ranging

discussion took place as to how to get the best value for the College from IAS work in 2017/18.

The Assistant Principal, Finance & Risk will discuss a Revised Plan with RSM and this will be presented to the next Meeting of the Committee on 19 September 2017 for review and then approval by the Board on 29 September.

The Committee indicated it wished to see the following areas covered in the revised Plan:

- Student Journey – six weeks (Part 2) – four days
- Governance (re proposed abolition of PFGP Committee) – reduced to one day
- Essex Shared Services – Budgetary Setting and Control – four days
- Continuity Planning/Disaster Recovery Plan – four days

Four days should be held back as a Contingency and four days are to be allowed for RSM Management of their work. This would give a total of 21 days. The Committee felt that part of the Contingency could be used towards a Health & Safety review jointly with South Essex College.

An indicative timetable for the work to be carried out was provided to the Committee but this will need revising and RSM were asked to indicate how the Reports will flow through to the Committee Meetings in 2017/18 (November and June) save for the Budgetary Setting work which will be reported in November 2018.

The Committee felt it would be useful that, in conjunction with a review of the Governors Risk Appetite in February 2018, the Board indicate areas where it would wish to commission further or additional assurance through Internal Audit or other relevant organisations, e.g. IT specialists.

The Committee believed that the following areas should be considered for Internal Audit reviews in 2018/19:

- Post-Ofsted Inspection issues (inspection due before Christmas 2017)
- Review of the application of General Data Protection Regulations (new rules) – see **536.3** below
- Internal usage/controls of our IT systems (see **536.3** below)

ACTION: DH

536.2 Internal Audit Progress Report 2016/17

Anna O’Keeffe **PRESENTED** this Report on progress in respect of agreed Audit Assignments for 2016/17.

The completed audits were Apprenticeship Reforms – Strategy and Business Development, Essex Shared Services – Cash and Treasury Controls, Cyber Security (advisory Report only) and Subcontracting Controls (advisory Report only).

Of the two audits undertaken in 2016/17 so far with formal opinions, one concluded with a positive opinions (reasonable assurance) and one with a negative opinion (partial assurance). The partial assurance related to the review of Apprenticeship Reforms and this gave rise to one high priority action and five medium priority actions, which management agreed and will implement.

Two audits have been commenced within the last week as part of the 2016/17 Plan – Student Journey: six Weeks (part 1) and Applications Management. The Committee noted that, as the latter was delayed from the original plan, the delay should have been approved by the Committee and the Chair suggested in future that this be done by email.

The outcomes of these reviews will be considered by the Committee at its September 2017 Meeting.

In addition, the recommendations and action by Management should be reported to the next Meeting of the Committee following the relevant Report.

The Report was **RECEIVED**.

ACTION: RSM

536.3 Internal Audit Completed Reports 2016/17

As noted above, four assignments have been completed this year to date. The Committee **RECEIVED** these completed Reports.

On **Apprenticeship Reforms – Strategy and Business Development** the purpose of the Report was to review the College’s action plan for implementing the new standards and the apprenticeship levy, focusing on the five key strategic objectives identified by the College through its Apprenticeship Action Group, which is responsible for monitoring the implementation of the Plan.

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

One high level recommendation was raised namely that the College had not undertaken detailed competitor analysis or their own business analysis (including identifying levy payers) and had not identified their key risks prior to developing their action plan. This has now been done.

The Deputy Principal reported, in response to a governor question, that engagement with levy payers has taken place and a number of firms who pay the levy are now on board on a preliminary basis as clients of the College for apprenticeship programmes with a view to students starting with the College in September 2017.

The Director of Business Services, Sarah Hamilton is going to present on this area at the Board Meeting in July 2017 for the benefit of the Board. This is a real opportunity to grow income next year.

Five low level recommendations were raised and agreed by Management regarding Marketing Strategy, Guidance for Employers, Local Levy Payer Liaison, Use of the CRM system to log employer contact and establishing KPIs.

On **Essex Shared Services (Cash and Treasury)**, the purpose of the review was to evaluate the adequacy of risk management and control within this system.

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

One low level and **one medium level** recommendation were made and have been implemented.

On **Cyber Security**, the purpose of the review was to evaluate the quality and appropriateness of evidence provided for the organisation's cyber essential self-assessment questionnaire, with a view to providing assurance on the five key Cyber Essential control themes which should stop the majority of internet based cyber attacks to an IT system.

No audit opinion was provided merely advisory findings. Based on the evidence examined, the Review stated that 27 of the 34 requirements of the five Cyber Essentials control themes could be regarded as 'Fully Implemented'.

Of the remaining seven, three were 'Working Towards Implementation' and four as 'Not Applicable'. The identified control weaknesses were across the 'Secure Configuration' and 'Access Control'.

A governor queried that the Cyber Security audit was network-centric and concentrated on external threats. There is a case to look at staff usage of

College equipment and internal threats to the system and the general handling of data in-house. The scope of the work carried out was on overall controls and that was the work done. It was agreed that it could well be expanded more widely to give further assurance to the Committee (see **536.1** above).

A governor also commented about the General Data Protection Regulations 2018 (see 536.1 above) which come into force in May 2018 and posed the question as to whether staff do what they should with the data to which they have access as that is a key element of the GDPR.

These weaknesses were categorised as one medium action and three low level actions.

On **Subcontracting Controls**, the purpose of the review was to examine and test the controls the College has in place for subcontracting in line with the guidance issued by the Skills Funding Agency in March 2016. This is a funding compliance requirement.

The College only deals with one subcontractor – Aspire GR – with a contract value of £289,600 for the current year. Four actions were identified which the College has implemented. The Report was therefore satisfactory in establishing that the College is compliant with SFA funding guidelines.

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

537. KPMG AUDIT PLANNING MEMORANDUM 2016/17

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. James Laing presented the APM and talked through the content.

The Auditors will complete their work in order to provide their draft Report and audit Management Letter to the Meeting of this Committee scheduled for 21 November 2017.

The Clerk agreed to complete the JACOP Self-Assessment Questionnaire for the year and submit it to the auditors (see **538** 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: £25,000).

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 considerable savings required to be made and cash flow is likely to be tight.

It was noted that KPMG's appointment was for three years and this year is the third. This issue will be considered by the Committee during 2017/18 after the completion of the 2016/17 Accounts. The appointment of KPMG was made jointly with South Essex College, since much of the College's financial records are controlled through Essex Shared Services Limited.

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

538. UPDATED AUDIT CODE OF PRACTICE

The Clerk **PRESENTED** a Report on changes in the Revised Post-16 Audit Code of Practice 2016 to 2017, recently issued by the ESFA, replacing the existing Code issued last June.

The Revised Code contains no fundamental changes. The Clerk referred to references in the Code to policies on fraud, whistleblowing and irregularity and the Committee was reminded that the College has a Whistleblowing Policy in place and draft Policies on Bribery and Anti-Money Laundering are being considered by the PFGP Committee next week, with a view to them being approved by the Board in July.

The Clerk also informed the Committee that he will complete a self-assessment questionnaire supporting the College's assertions regarding regularity, propriety and compliance for 2016/17, as he did last year, although it is not yet mandatory. It will be provided to the external auditors as evidence for their regularity audit.

The Committee **NOTED** the Revised Code.

ACTION: CLERK

539. COMMITTEE MATTERS

The Clerk **PRESENTED** his Report.

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

The Clerk tabled a draft Schedule of Business for the Committee for 2017/18 and this was **AGREED**.

The Clerk tabled a Letter from the Chief Executive of the Education and Skills Funding Agency (dated 13 April 2017) for the information of the Committee. There were three key messages from the EFSA:

1. Strong governance should be in place to hold the College Management to account
2. Clarity of direction
3. High quality self-assessment and appropriate independent challenge to test the College's position

The Committee **NOTED** the letter.

The Clerk informed the Committee that the College Personnel, Finance & General Purposes committee is considering a paper next week regarding possible disbanding of that Committee. It is anticipated that recommendations will then come to the Board for consideration on 7 July 2017.

The Clerk provided a brief verbal outline of what is intended with a focus, at the request of the Chairman of the Committee, on how governance review and scrutiny will be demonstrated on an on-going basis should there be no PFGP Committee.

540. ANY OTHER BUSINESS

There were no items of AOB.

541. DATES OF NEXT MEETINGS 2017/18

Tuesday 19 September 2017 at 5.30 pm.

Tuesday 21 November 2017 at 5.30 pm.

Tuesday 26 June 2018 at 5.30 pm.

There being no further business, the Meeting terminated at 7.30 pm.

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