

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
23 June 2020**

Minutes of a Meeting of the Committee held at the Moulsham Street Campus (Room 102) and via video conferencing through Teams, Chelmsford on Tuesday 23 June 2020 at 4.30 pm.

PRESENT: Susan Hughes (Chair) *

Jenny Beaumont *

Trevor Bolton

Stuart Hodges *

Amanda Montague *

Jaya Patten *

Doug Zeeman

IN ATTENDANCE: Andy Sparks (Principal)

Caroline Williams (Deputy Principal)

Debs Hurst (Vice Principal, Finance & Corporate Services)

Mark Emerson (Director of Information Services)

Paul Goddard (Scrutton Bland, IAS)- till 6pm *

Stephanie Beavis (KPMG, external auditor) *

Nathan Ackroyd (KPMG, external auditor) *

Rob Millea (Clerk to the Corporation)

* denotes attended through Teams – all other participants were in person.

637. APOLOGIES FOR ABSENCE AND WELCOME TO NEW MEMBER

There were no apologies for absence.

The Chair welcomed Trevor Bolton to his first Meeting as a Member of this Committee.

638. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS

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

KPMG declared their interest as external auditors of South Essex College and Essex Shared Services Limited.

Scrutton Bland declared their interest as Internal Auditors of South Essex College and Essex Shared Services Limited.

The Committee noted that the Principal and the Chair of the Corporation are both directors of Essex Shared Services Limited.

Debs Hurst declared her interest as a Members' Representative on the Essex LGPS Pension Advisory Board.

No Confidential items were notified.

639. MINUTES OF THE MEETING HELD ON 19 NOVEMBER 2019

The Minutes of the meeting held on Tuesday 19 November 2019 were **APPROVED** and will be **SIGNED** by the Chair of the Meeting at a convenient time in the future.

640. MATTERS ARISING

The Clerk **PRESENTED** a paper outlining Matters Arising from the previous Meeting of the Committee on 19 November 2019, noting the Actions taken as a result.

The Committee **NOTED** that the full Board, at its Meeting on 6 December 2019, had given the following approvals, based on the recommendations in each case by this Committee:

- Annual Accounts for the College and Dovedale Nursery for the year ended 31 July 2019
- Re-appointment of KPMG as external auditors (financial and regulatory) for the year ended 31 July 2020
- Annual Data Protection Report 2018/19
- Going Concern Report for the twelve months from 6 December 2019
- Annual Report of the Audit Committee 2018/19
- Pay rise assumption for actuarial valuation purposes (LGPS)

In addition, the Board (by email resolution on 27 March 2020) appointed Trevor Bolton to the Board and to this Committee.

The Clerk advised that the Annual Meeting with the Auditors without management being present will be carried forward to the September Meeting of this Committee as it is not practical in current circumstances (COVID-19).

The Clerk further advised that the annual Review of the College Financial Regulations will be an Agenda Item for the September Meeting, mirroring the practice last year.

An annual summary ILR Report will be presented at the November 2020 Committee Meeting.

The Principal informed the Committee that Peter Moore has resigned as General Manager of Essex Shared Services Limited (and as Finance Director of South Essex College) with effect from the end of this month. An interim replacement (Susan Evans, who has considerable experience in the FE sector) has been appointed. A permanent appointment is to be made in August.

The VPFCs tabled a letter from the ESFA confirming the College's Financial Health as at 31 July 2019 as Requires Improvement. Unfortunately, the incorrect KPMG Audit Highlights Memorandum had been submitted to the ESFA but this has now been corrected.

The VPFCs suggested that the Teachers' Pension Agency Return data be sampled by Scrutton Bland this year before the external audit takes place and this was **AGREED**.

ACTION: DH

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

641. RISK MANAGEMENT REPORT

This Report was **PRESENTED** by the Vice Principal, Finance & Corporate Services, comprising Risk Dartboard, up to date Risk Register and an update on Business Continuity and Disaster Planning, Assurance Mapping Review, Health & Safety and Previous Audit Recommendations.

641.1 Risk Register and Dartboard

The College Risk Register is now entirely COVID-19 based and was considered by the Committee. There are currently 15 key risks made up of 4 RED risks, 8 AMBER and 3 GREEN.

The four RED risks are:

- Protection of staff and students from COVID-19
- Provision of IT resources to students without access
- Insufficient cash flow for the next academic year
- Student numbers impacted in Special Provision and Extended learning due to their specific care issues

Cash Flow and Student Numbers

The VPFCS informed the Committee that the College's predicted cash flow over the next twelve months is critical. Current forecasts suggest that the College will be in an overdraft situation by March 2021, although this position could arise earlier. The overdraft will persist until July 2021.

The College is in discussion with its bankers regarding management of this overdraft.

The overdraft expectation is as a result of apprenticeship income likely to decrease next year due to apprentices presently being furloughed and their apprenticeship not continuing after the end of the furlough period.

In addition, the College's High Needs income from Essex County Council (normally around £1.6 million per annum) may also be affected as social distancing will almost certainly affect the number of these learners who can be accommodated in the College's buildings.

Finally, the College is likely to suffer reduced income from Dovedale Nursery and in-house catering operations but Nursery activity could pick up quickly next term.

The Principal explained to the Committee that the assumptions being made are quite conservative and the Budget Meeting on 9 July will reflect the current position then. It is quite clear that the Government will need to support apprentices in this difficult economic climate. It may get better with the reduction in social distancing announced today by the Prime Minister.

Trevor Bolton observed that learners may need some study route if there are a lack of job opportunities and/or decline in apprenticeships.

The VPFCS mentioned that the College's AEB budget has been guaranteed for this year, even if the volume does not use up all of the allocation.

COVID-19 safety

The Clerk reported that the College has prepared a full COVID-19 Risk Assessment in line with Government guidance for educational institutions and this has been made available to all governors through the governors' portal. Governors have also been made aware of the general guidance on Health & Safety at work in these circumstances, recently published by the Health & Safety Executive.

The Committee were informed that the College has commenced (this week) limited re-opening of the College campuses in line with the risk

Assessment. Full deep clean of the premises took place last week and relevant signage on hygiene and social distancing has been installed.

There are specific risk assessments for individual learning areas.

The number attending is limited and are for the purpose of face to face meetings with staff and/or assessment purposes.

The Committee noted that the processes and procedures put in place are constantly changing as guidance evolves.

IT provision

The College continues (as reported to the Quality & Learners Committee) to deliver on-line learning to students as it has done since lockdown was imposed in late March. It has been a challenge to ensure sufficient and effective IT is in place for all students and staff. This is discussed further below as part of emerging/continuing risks

The dartboard reflects the content of the Risk Register in visual form.

The VPFCS advised the Committee of the following emerging risks for the next academic year:

- Amount of on-line learning to be delivered (training of staff to ensure quality)
- Number of student enrolments across mainstream programmes
- Likely reduction in apprenticeship programmes with possible effect on staff requirements (comments above)
- Sufficiency of IT resources for staff and learners working remotely (continual focus and is improving as a blended learning option likely to be more used next year)
- Costs of social distancing procedures

The VPFCS reminded the Committee of the urgent need to replace the ageing (over 30 years old) boilers at Princes Road which will cost in the region of £300K. There appears to be no funding available from the ESFA for this work but discussions are continuing with them. The replacement is vital and the detrimental impact if they were to break down would necessitate closure of that campus. It is a business critical decision which would seriously impact the College's cash flow if funded without grant support and force the College into overdraft earlier than presently anticipated.

In response to the Chair, the VPFCS informed the Meeting that a Crisis Management Meeting of senior personnel takes place twice a week to

review risks and revise actions in the current disruptive and ever changing climate.

Governor Questions

Jenny Beaumont asked whether risk CV 11 on the Register regarding IT was only a temporary upgrade and whether it also looked towards the future.

Mark Emerson responded that it was partly to address immediate operating issues but also intended to ensure for the future that staff were properly and effectively equipped for more remote working both on College administration and delivery of learning to students.

Mark Emerson explained how the upgrade has been rolled out to staff so that they are all equally facilitated to carry on on-line learning now and in the future on a reasonably standardised basis. The ultimate aim would be to provide all staff with consistent devices and access. However, the cost of a full IT modernisation and upgrade would be prohibitive. Nevertheless, overall IT facility development needs to be the objective for the College and this is being proceeded as funds permit.

The VPFCs stated that there may be ESFA money available in the new year through a bidding process beginning in September and the Committee will be updated at the September Meeting.

Amanda Montague asked about the Goldlay Project and if it should be a RED risk at CV-12. The Project is with Essex County Council and has been valued at £200K for the past two years but it is likely this will be reduced, but has been confirmed to continue.

The Chair asked about on line interviews with potential staff and the Principal explained that it has been done on a number of occasions. It works reasonably well and then final candidates are being interviewed in person.

The Committee **NOTED** the points made on these risks in the Report and the verbal comments made by Management.

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. This is complementary with the Crisis Management Meetings referred to above.

The Committee **RECEIVED** the Report.

641.2 Assurance Mapping

The VPFCs advised the Committee that the Risk Register has now been updated to show external and internal assurance gained in respect of each Risk, together with the current actions being taken to manage/mitigate each one. This reflects discussions following Scrutton Bland giving a presentation at the Board Development Day on 18 October 2019 on Risk Management and Risk Appetite. The Board's attitude to each risk is also noted.

The Committee **NOTED** the Action taken.

641.3 Business Continuity & Disaster Planning

The College Management has met regularly to discuss the impact of the COVID-19 emergency and there is confidence that the College has met all the challenges. The situation remains ever changing.

The Committee were specifically informed that these Meetings include input and advice from the College Health & Safety Manager (Steve Hope). It was agreed to invite Steve Hope to the next Audit Committee on 8th September 2020.

641.4 Previous Audit Recommendations

There has been no action in this regard due to more pressing demands on time but an updated Report will come to the next Meeting of the Committee.

642. INTERNAL AUDIT

642.1 Internal Audit Completed Reports 2019/20

All of the scheduled audit reviews for the year have been carried out, with the exception of the Student Withdrawals assignment, cancelled at the request of Management due to the pandemic.

The audits completed since the November Meeting for which Reports were tabled for the review of the Committee were as follows:

- ESS Financial Controls (Debtors, General Ledger, Credit Control, Cash Flow)
- Capital Projects (advisory)
- Safeguarding and Prevent
- GDPR (Report still in draft)

The purpose of the review **Capital Projects** was to provide independent assurance to the Committee that the College is reviewing the

implementation of capital projects to ensure that they deliver according to the original business case and value for money is realised.

The conclusion of the Report was **significant** assurance that the Fountain Lodge project (approx. £500K) was effectively managed and delivered within budget.

Two **low risk** recommendations arose – further development of protocols in the College Financial Regulations in respect of Capital Works (Scrutton Bland to provide a suggested framework for this) and that a formal post implementation review be undertaken on completed projects. JP said it would be useful that this review included an honest assessment of what lessons might be learned.

On **Essex Shared Services: Financial Controls**, the purpose of the audit was to

- Provide assurance on the timeliness, integrity and accuracy of financial records and transactions
- Ensure debtor income due to the College properly and consistently treated
- Confirm that outstanding debts recovered timeously

The Report gave **significant assurance** in respect of the general ledger and **strong assurance** in respect of cash flow, income and debtors (including credit control).

No recommendations were raised in connection with the latter and **two low level** recommendations were raised in connection with the general ledger – a need to risk assess the decision not to have a month end task checklist in place and a need to regularly review user access rights to the Finance System to ensure they are up to date and reflect staff requirements, especially that staff should not have user rights beyond what they need.

In answer to a question from Jenny Beaumont, the new General Manager of ESS will undertake a review of user rights and report to next ESS Board in November. Jaya Patten asked for assurance that leavers from ESS are removed from the system at that time. Paul Goddard reported that the audit did not find any issues with individuals leaving the company in so far as them being taken off the system immediately.

On **Safeguarding and Prevent**, the purpose of the audit was to ensure that the College's processes to identify, manage and report incidents of safeguarding risk and the Prevent duty are robust and effective.

The Report gave **significant** assurance and raised **one medium level** recommendation regarding reviewing to see the accurate position as regards training for all staff and governors. If there are any gaps, training should be arranged as a matter of priority. This will be reported back at the next Meeting.

The Report commented on **two Best Practice** points – the College’s central record database to record and track employee verification checks and the College’s Stay Safe Safeguarding newsletter which is distributed regularly to all staff or in response to significant changes.

On **GDPR**, a Health Check was carried out last November and reported verbally to the November Meeting of this Committee. The Report has not yet been finalised but was presented to the Committee in draft form.

The purpose of the health check was to provide high level assurance over the College’s implementation of the GDPR, but no formal opinion will be given when it has been completed.

Two medium level recommendations and **one low level** recommendation have been raised, relating respectively to fully reviewing the current position regarding completion of GDPR training by staff as there are some staff who have not received full necessary training, completion of a personal data mapping exercise by each College Department and data impact assessments being completed where relevant.

Due to the COVID-19 pandemic, these recommendations await a management response together with a due date as to when they will be actioned. An update will be provided at the September Meeting of this Committee working on the due date for implementation of the recommendations of 31 August 2020.

ACTION: ME

Paul Goddard of Scrutton Bland reported that it was clear that staff are aware of their duties regarding data in order to comply with GDPR and that the College’s policies and procedures reflect both the regulations themselves and good practice.

He commented that there is a continuing need for more training for more staff. In addition, he commented that data mapping is underway so that there is clarity as to the records the College possesses and that it is clearly documented and tracked within the organisation.

Mark Emerson further commented on this recommendation. It is acknowledged that there are some deficiencies in the recording of training

and this needs to be corrected. At present, it is not wholly clear what is a recording error and what is a situation where staff are behind in their training. It appears to primarily relate to longer serving staff. It is also necessary that the training is tailored to the position occupied by the staff member and assurance was given to the Committee on this point.

Jaya Patten felt that the training should be moved wholly on line and individuals be tested on line as it provides better audit trail.

Trevor Bolton was concerned that staff working at home may be using less than sufficient devices or corruptible personal devices and without full GDPR training having been undertaken by those staff.

The Clerk suggested an audit in 2020/21 (see minute **642.2** below) to provide assurance to the Committee on the systems and processes around the use of home devices and the environment in which they are used. This will be considered and could include ensuring security of material used in teaching and progress records of individual students.

Trevor Bolton was assured that GDPR training is an integral part of the new staff induction process and staff cannot commence their employment until they have completed the GDPR training.

Jenny Beaumont thought there was a theme on training for staff through GDPR and Safeguarding being possibly not being fully recorded and this will be followed up so that the Committee can be assured that there are no weaknesses.

The Principal agreed to remind staff to record CPD on their own CPD log after each piece of training.

642.2 Internal Audit Plan 2020/21 (draft)

Scrutton Bland tabled a document entitled Audit Universe to assist the Committee and Management in identifying areas for internal audit review next year.

The document itemised key audit areas and when they were last reviewed.

After discussion, the Committee and Management felt the Plan could consider the following topics (subject to the Internal Audit Budget days):

- TPA Return data (Health Check)
- Curriculum Planning (focus on the COVID-19 environment and equality of access for learners)

- Health and Safety
- Human Resource Management
- IT Assurance on remote working (suggested by the Clerk in 642.1 above)

It suggested that Health and Safety and Estates Management might be considered for review in 2021/22.

The VPFCs indicated that a draft Plan would be prepared as soon as possible and discussed with Scrutton Bland (Paul Goddard had left the Meeting at this point) with a view to approve the Plan at the 23 July Board Meeting.

ACTION: DH

643. KPMG AUDIT PLANNING MEMORANDUM 2019/2020

The Committee **RECEIVED** and **CONSIDERED** the APM for the 2019/20 financial statement and regularity audit provided by KPMG, the College's external auditors, noting that it was their fifth year in post.

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 17 November 2020.

The Clerk will complete the ACOP Self-Assessment Questionnaire for the year and submit it to the auditors in September, after it has been reviewed by the Committee at its Meeting on 8 September 2020.

ACTION: CLERK

Stephanie Beavis (Audit Partner) presented the document and talked through the content.

The Committee **NOTED** that the planned level of materiality advised by KPMG for the Group is £360,000 (last year £375,000) with performance materiality of £270,000 (last year £281,000). An individual difference will be reported to the Committee if it is in excess of £18,000 (last year £18,750).

The audit is, as last year, planned to be risk based and largely of a substantive nature. It is unlikely that any reliance will be placed on the work of the internal Auditors. The Committee noted that going concern will be a key area in KPMG's judgements and will be affected by the current pandemic, given its possible impact on future student numbers and hence revenues and management of cash flow.

Other key risks include student enrolments and possible management override of controls.

The VPFCS informed KPMG that there is lack of clarity on the part of the ESFA regarding the content and validity of claims within the ILR. The external auditors will need to verify the position with the ESFA so that there can be no confusion as to the validity of income booked by the College for completed students.

KPMG will seek to review the College's modelling of the possible downside scenarios associated with these threats including impact on loan covenants and liquidity. Sufficient disclosure in the accounts will be required. They asked to be provided with cash flow scenarios for 24 months beyond the balance sheet date, if possible, to inform this review.

As regards the LGPS pension liability, the VPFCS will review the assumptions in connection with the calculations made by the actuary and, in particular, will seek approval from the Board in July as to the salary rise assumptions to be incorporated in the actuarial calculations.

ACTION: DH

The planned Audit Fee is £34,776, which includes £2,891 for the audit of Dovedale Nursery and £1,020 for the testing fee in respect of the Teachers' Pension Contribution Certificate. This compares to a total fee of £30,589 last year, an increase of 13.7%.

This is attributed to the extra work likely on Going Concern given the extraordinary circumstances prevailing at present and for the foreseeable future.

The Committee **NOTED** the Audit Planning Memorandum for 2019/20.

644. COMMITTEE MATTERS

The Clerk **PRESENTED** his Report.

Committee Self-Assessment 2019/20

The Clerk distributed the Self-Assessment Checklist for the Committee for 2019/20 and asked for the completed forms to be returned by 7 July. A Report will be provided to the next Meeting of the Committee. Returns will not be required from Jaya Patten or Trevor Bolton, as neither has served on the Committee for all of the 2019/20 year.

The Clerk stated that he is intending to seek COVID-19 related comments from all governors as part of the Board Self-Assessment Questionnaire for 2019/20, which will be distributed to Board Members at the July Meeting.

Stuart Hodges

Stuart's term of office as a staff governor ends on 8 July 2020. It has not been possible due to COVID-19 to hold staff governor elections this term and Stuart has agreed (subject to Board approval) to continue as a staff governor until elections can be held as early as possible in the Autumn term in order to appoint a new governor at the 25 September Board Meeting. Stuart will therefore be a Member of this Committee for the purposes of the next Meeting of this Committee.

Schedule of Business 2020/21

The clerk tabled a draft Schedule of Business for the Committee for 2020/21 and this was **AGREED**, subject to adding Health & Safety Report to the Agenda for the Autumn Meeting. It will be presented to the Board for approval at the Meeting on 23 July. The Clerk made the point that changes may be necessary as matters develop due to the pandemic and its effects on the College's business.

ACTION: CLERK

Post 16 ACOP and Regularity Self-Assessment Questionnaire

The Clerk advised that ACOP remains the same as last year and, as indicated in minute **643** above, he will prepare this and submit it to the Committee for review in September.

It will then be presented to the September Board Meeting for approval and signature by the Chair of the Board and the Principal, before being submitted to KPMG as part of the evidence base for the regularity audit.

ACTION: CLERK

645. ANY OTHER BUSINESS

There were no items of AOB.

646. DATE OF NEXT MEETING

Tuesday 8 September 2020 at 4.30 pm.

There being no further business, the Meeting terminated at 6.30 pm.

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