

**CHELMSFORD COLLEGE
AUDIT COMMITTEE
11 September 2018**

Minutes of a Meeting of the Committee held at the Princes Road Campus, Chelmsford on Tuesday 11 September 2018 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)
Mark Emerson (Director of Information Services)
Sharon Gravener (Scrutton Bland, IAS)
Rob Millea (Clerk to the Corporation)

576. APOLOGIES FOR ABSENCE AND WELCOME TO NEW MEMBER

Apologies for absence were received from Steve Houghton, who is on leave of absence from the Board, Dan Harris and Anna O’Keeffe (RSM), Stephanie Beavis and Nathan Ackroyd (KPMG, external auditors) and Paul Goddard (Scrutton Bland, IAS).

The Chair welcomed Jenny Beaumont to her first Meeting of the Committee, following her recent appointment to the Board.

577. 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.

Scrutton Bland declared their interest as Internal Auditors of South Essex College and Essex Shared Services Limited with effect from 1 August 2018.

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.

Sharon Gravener declared that Scrutton Bland act as internal auditors of Writtle University College.

Jenny Beaumont disclosed an interest as she is a governor of Great Baddow High School.

No confidential items were notified.

578. MEETING WITH AUDITORS PRIVATELY

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

The Committee agreed that a private Meeting on at least an annual basis was desirable and this will be on the Agenda for the June 2019 meeting of the Committee. This does not change the fact that every meeting will contain this Agenda item.

579. MINUTES OF THE MEETING HELD ON 26 JUNE 2018

The Minutes of the meeting held on Tuesday 26 June 2018 were **APPROVED** and **SIGNED** by the Chair of the Meeting.

580. MATTERS ARISING

The Clerk **PRESENTED** a Paper outlining Matters Arising from the previous Meeting of the Committee on 26 June 2018, noting the Actions taken as a result.

The Committee **NOTED** that the Board, at its meeting on 6 July 2018, approved the College Budget for 2018/19, planning for a surplus of £200K. The VP, Finance & Corporate Services informed the Committee that the budget would be revisited at the end of October. She noted that 16-18 student enrolment numbers for 2018/19 are satisfactory, being about 5% higher than last year.

Nevertheless, the College is still finding it difficult to recruit staff in certain 'hard to recruit' areas and therefore agency staff will still be needed, which is expensive.

The Board had also **APPROVED** the Committee Schedule of Business for 2018/19 and the appointment of Scrutton Bland as Internal Auditors to the College with effect from 1 August 2018 in succession to RSM.

The Clerk **REPORTED** that he has completed the review of the College Governance Protocols and these will be presented for review and approval at the Board Meeting on 28 September 2018. He thanked Stuart Hodges for his valuable help in checking and proof reading these documents.

ACTION: CLERK

Debs Hurst **REPORTED** that Scrutton Bland would carry out an independent 'health check' review of the benefits and advantages of ESS Limited in providing services to the College to satisfy the Value for Money test. This review will be presented at the next Meeting of the Committee in November.

Meanwhile, the Chair of the Committee stated that she had spoken to the Chair of the Corporation (who is also a director of ESS Limited) and she confirmed that she was satisfied that ESS represented Value for Money for the College. The Chair of the Corporation stated that the original decision to participate in the establishment of ESS Limited was made largely on effectiveness grounds and not only on financial grounds.

Debs Hurst noted that the cost to the College of ESS Limited has dropped since ESS was established from £341K to £297K and the expectation is that further development of ESS Limited will help reduce this further. In this regard, the merging of PROCAT into SEC will expand ESS Limited but at no cost to the College and indeed with possible savings as the cost share may reduce.

ACTION: DH

Mark Emerson **PROVIDED** an update to the Committee on progress in embedding GDPR in the College. He reported that certain College processes have been strengthened to fully reflect GDPR issues. Management of data was a critical matter and this has been addressed. Management do not have any compliance concerns. He noted that subject access requests are expensive for the College to handle given that the College is operating in a lean way. Finally, he said that the College is looking at different ways of approved users transferring information to ensure it is done as securely as possible.

Doug Zeeman, as GDPR governor, said that he was very impressed and content with the College's efforts in implementing GDPR.

Stuart Hodges commented that 80% of staff have been trained in GDPR and this includes all Senior Managers.

The Principal **REPORTED** on the request by the City Council to use College as a refuge facility in the event of a civic emergency. There has

been no progress but the Principal believes that the City council is most interested in using the Sports Hall, if necessary. It is expected that some training on the whole issue of civic response to a disaster/emergency is to be arranged in due course.

Mark Emerson **REPORTED** that the College is in the process of testing the Continuity Plan on a scenario by scenario basis. He noted that some aspects of the testing will need students present to make the test effective. Also, liaison with South Essex College will take place on mutually beneficial areas such as health & safety, where services are partly shared.

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

581. RISK MANAGEMENT REPORT

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

581.1 Risk Register and Dartboard

The College Risk Register, recently updated, was considered by the Committee. There are currently 34 key risks made up of 1 RED risk (English & Maths Attendance), 18 AMBER and 15 GREEN.

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

The collaboration with Writtle University College will have an emerging risk register. The Committee **AGREED** that, in addition to a separate register, the collaboration will be added to the main Risk Register as a RED risk.

ACTION: DH

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. Preliminary pass rates for the new GCSEs in English and maths are positive. English has increased by 12 pp although maths has declined by 6 pp, but both are above National Rates. Functional Skills results are better than last year in both subjects, however English FS level 2 remains a concern for 2018/19.

In answer to a governor question, the Deputy Principal said that the GCSE gradings have affected this year's grades which are down this year nationwide. The new syllabus is more difficult but results for English are good although maths has dropped a little. She said that, in English, some

students have achieved some grades 6 and 7. She reminded the Committee that November resits will have to be added.

The Report also highlighted the position in respect of a number of AMBER risks – financial targets in respect of Apprenticeships 2017/18, gas and drainage issues at Princes Road, recruitment of suitably qualified staff, particularly in Construction/Engineering, Prevent training for Adult learners and improvement of the College's Financial Health for 31 July 2019.

Debs Hurst commented as follows:

- Apprenticeship income should be very close to target for 2017/18
- The relocation of Hair & Beauty to Princes Road is just about fully operational
- As noted above, recruiting staff to certain curriculum areas remains difficult. Scrutton Bland will undertake an audit review of the College's recruitment processes in March 2019 and report to the Committee in June 2019
- No formal offer has yet been received for Beacon House although some interest has been shown. It was noted that there is likely to be a planning issue for potential purchasers regarding change of use they may want and purchasers will want to secure that at least as a possible option before formalising their offer. Therefore, this is still appropriate to be an AMBER Risk

Further to comments under Matters Arising regarding improved enrolments this year, the Deputy Principal said that the increases have not been an even distribution across curriculum areas. Media has recruited well as has engineering and electrical. Indeed, if the College had the capacity (and sufficient staff), more electrical students could be recruited. In some cases, the Apprenticeship route might be suitable for such students, but there is a waiting list here.

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.

581.2 Assurance Mapping

This issue has been discussed with Scrutton Bland and they will undertake a health check of the information and the format as it has become

somewhat unwieldy to maintain and update. A new format will be proposed to the next meeting of this Committee on 20 November 2018.

ACTION: DH

582. INTERNAL AUDIT

582.1 Internal Audit Annual Report 2017/18

Debs Hurst **PRESENTED** this final Report from RSM 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 and an advisory review for the ESFA on Subcontracting Controls. The outcomes of these reviews was satisfactory in each case.

The Report was **RECEIVED**.

582.2 Internal Audit Completed Reports 2017/18

As noted above, four audit assignments have been completed this year and two advisory reviews. The Committee **RECEIVED** the last of these completed Reports on Sub-Contracting Controls.

On **Sub-contracting Controls**, no audit opinion was provided merely advisory findings. The substance of the review was in respect of whether the College has in place satisfactory systems and controls to manage subcontractors delivering adult education and funding funded by the ESFA for the year to 31 July 2018.

RSM provided this assurance and it has been submitted to the ESFA.

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

The Committee had a discussion about subcontracting for 2018/19. Mark Emerson reminded the Committee that the Board approved Aspire as College sub-contractor for this year in principle. Details of arrangements will come to the Board for approval when finalised. The College has dealt with this provider for some years satisfactorily. The College spot checks work carried out by the contractor.

Mark indicated that other possibilities for sub-contracting are always being considered and will be looked at as they arise.

582.3 Internal Audit Plan 2018/19

The Committee **RECEIVED** and **CONSIDERED** the draft Internal Audit Plan for 2018/19 from Scrutton Bland, the College's Internal Audit Service, which was introduced by Sharon Gravener.

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 proposal is that a total of 15 days will be spent by Scrutton Bland on the following assignments:

- Staff Deployment (including agency staff, work based learning assessors and learning support assistants)
- Costing model (advisory review)
- Assurance mapping (advisory review)
- Essex Shared Services – Financial Effectiveness (advisory review)
- Maths and English attendance (advisory review)

The Staff Deployment audit and the Review of Maths and English attendance will be carried out in March 2019 and reported to the Audit Committee in Jun 2019. The other work items will be carried out in September and October 2018 and reported to the Audit Committee in November 2018.

In addition, Scrutton Bland will provide external assurance on subcontracting controls to be submitted to the ESFA. Consideration will also be given to a review of the collaboration arrangements with Writtle University College as they develop.

The allowance also includes time for SB to manage the contract with the College and to attend meetings of the Audit Committee.

In addition, the Committee **NOTED** that ten days of internal audit work have been allocated to Essex Shared Services Limited to provide assurances over their systems as part of the shared services arrangements with South Essex College. The content is proposed to cover procurement framework (3 days), fixed assets (2.5 days) and payroll (3.5 days) with balance of time for audit administration and management.

The Committee asked when GDPR compliance will be a subject for audit review – this will be done as an audit assignment early in the 2019/20 academic year, probably around October 2019 with the Report being considered at the November 2019 Audit Committee.

ACTION: DH/IAS

Debs Hurst stated that it is intended that the Committee will be asked to agree the 2019/20 Internal Audit Plan at the June 2019 Meeting of this Committee.

ACTION: DH/CLERK

The Committee **RECOMMENDED** that the Internal Audit Plan for 2018/19 be approved by the Board at its meeting on 28 September 2018.

ACTION: CLERK

583. Outstanding Audit Recommendations

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

Fourteen recommendations were itemised of which five 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.

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

In respect of Cyber Security, Mark Emerson advised that the College written policy is being revised and staff trained especially with passwords. This does have cost implications. Management is satisfied that IT security in college is not compromised but it could be refined.

The Committee **NOTED** the Report.

584. 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 a number of increases in connection with procurement authorities and an increase in the de minimis limit for disclosable hospitality and gifts from £10 to £50, as it had not been reviewed since 2002.

The Delegation Schedule has been amended to reflect the current Management Structure and expenditure limits for various levels of staff.

The Regulations 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 28 September 2018.

Debs Hurst informed the Committee that Appendix B will be updated once the revised Governance Protocols are approved by the Board on 28 September 2018. There are two further Appendices, Capital Developments and Procurement Policy & Procedure that are in development. These will be brought to the next Meeting of the Committee for review and recommendation to the Board for approval.

ACTION: DH

585. COMMITTEE MATTERS

The Clerk **PRESENTED** a Report covering the Committee's Self-Assessment for 2017/18, a Review of the Committee's Terms of Reference, Compliance with the Committee's Terms of Reference during 2017/18 and the ACOP Self-Assessment Questionnaire, for consideration by the Committee.

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

Key points were a desire for the Committee to have a further member with specific and direct financial expertise (e.g. a qualified accountant), training in respect of the mechanics of the preparation of the College Accounts and relevant presentations regularly on matters of interest.

A member sought assurance that the audit programme links with quality improvement programme and the Clerk advised that this linkage through

the monitoring of the curriculum by the Quality & Learners Committee will be reflected in the Annual Report of this Committee.

The Committee **RECOMMENDED** the ACOP Regularity Self-Assessment Questionnaire, 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, subject to the making of a couple of minor amendments.

The Committee **AGREED** its Terms of Reference required two minor amendments and then **RECOMMENDED** that they be renewed by the Board at its next Meeting on 28 September 2018 as part of its review of the College's Governance Protocols within which the Terms of Reference of all College Committees are found.

The Committee **NOTED** that it had been compliant with its own Terms of Reference during 2017/18.

ACTION:CLERK

586. ANY OTHER BUSINESS

This was deemed to be a Confidential Item under the Instrument & articles and a separate minute has been prepared and is attached to these minutes.

587. DATES OF NEXT MEETINGS 2018/19

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 7.00 pm.

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