

AUDIT COMMITTEE MINUTES
Tuesday 21 November 2023 at 16.30
 Committee Room, Moulsham Street Campus, and via MS Teams
 by exception

Members: Jenny Beaumont (Chair), Jan Church, Christian Norman, Jaya Patten, Alan Pitcher, Doug Zeeman.

Attendees: Paul Goddard Scrutton Bland (Internal Audit Service), David Warnes – Principal & CEO, Debs Hurst (Deputy Principal, Finance & Corporate Services), Debbie Garroay (Vice Principal Curriculum & Quality, Ra Hamilton-Burns (Director of Governance).

	MATTERS	ACTION
1.	This item was taken as a confidential minute	
2.	<p>Apologies for Absence David Warnes, Debs Hurst, and Debbie Garroay joined the meeting at 14.45.</p> <p>Suzane Goldsmith, Mark Emerson sent apologies.</p>	
3.	<p>Declarations of Interest and to notify any confidential items There were none.</p>	
4.	<p>To approve the minutes of the Meeting held on 20 June 2023</p> <p>AGREED: THE AUDIT COMMITTEE AGREED THAT THE MINUTES OF THE MEETING HELD ON 20 JUNE 2023 WERE A TRUE AND ACCURATE RECORD.</p>	
5.	<p>Matters Arising There were no matters arising save recommending the Internal Audit plan to the Board which was done.</p>	
	TO DISCUSS AND APPROVE	
6.	<p>Risk Management (strategic risk register and risk assurance reports)</p> <p>Red risks:</p> <ul style="list-style-type: none"> ○ Risk 1 – Reputation relating to Quality of education and achieving good at the next inspection ○ Risk 4 – budgetary control relating to energy costs and if the new contract realizes sufficient savings. This risk may remain red due to conflict in middle east and concomitant effect of energy costs ○ Risk 12 – reputation in relation to the conflict in the Middle East. <p>The SMT discusses risk at SMT each week and the register is updated. The funding of BTECs will now be added as a result of recent discussions.</p> <p>Governors observed that dates of current and proposed actions need updating.</p>	

	<p>ACTION: Dates for the risk register need to be reviewed and, where appropriate, updated.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE RISK MANAGEMENT REPORT TO THE BOARD AT ITS DECEMBER MEETING.</p>	DH
7.	<p>Fraud report</p> <p>Debs Hurst reported that there is a Fraud Policy as part of the College's financial regulations but no register as there are no frauds to report. The Financial regulations were approved with ONS updates at the PSR Committee on 16 November 2023, but full update be made when financial handbook is launched in Spring 2024.</p> <p>Paul Goddard cautioned that Scrutton Bland is seeing an upturn in internal fraud, and it tends to happen where staff have been in place for a long time. He suggested extra vigilance, particularly when new systems are put in place. The economic position has exacerbated occurrences and a culture of welcoming discussions from staff who may be facing difficulties. Debs Hurst said that there had been a couple of examples of such supportive discussions at the College in the last year. Checks and balances are in place for division of duties and counter signatories.</p> <p>Governors asked if the College has in place an enforced break of at least two weeks to allow any irregularities to be revealed. This is not currently in place, but it was suggested that staff in Finance should be asked to take a fortnight break.</p> <p>ACTION: DH to make a request for a mandatory two week break for finance staff once a year to Essex Shared Services.</p>	DH
8.	<p>Going Concern report</p> <p>Debs Hurst reminded the Committee that the going concern statement forms a major part of the annual statements.</p> <ul style="list-style-type: none"> • The College has received an additional £800k funding which led to a surplus forecast of £500k at year-end. • The College will hit the bank covenants up until April 2024 but not in July 2024 and she will discuss this with the Bank • The cash flow shows the £984,000 payable to Barclays in Dec 2024 is available but it will drain the account and compromise the KPI set by Project Future of 40 days cash in hand. • The Board will consider a reserves policy to retain its cash balances rather than pay the loan. <p>Price Bailey had informed Debs Hurst that this balloon payment will result in a material uncertainty on the accounts. The FE Commissioner team had told the College at the meeting on Friday that there are other colleges who have had to make similar balloon payments and the DfE has provided the funds.</p>	

	<p>It is the Board that must make the going concern statement and it will therefore state that there is a material uncertainty. This will demonstrate that the Board is aware. Governors asked if the situation with the treatment of the balloon payment has been created by the ONS reclassification and the fact that the DfE won't take a decision until June 2024.</p> <p>Jenny Beaumont reminded the Committee that the Board should mirror the language used by Price Bailey for technical accuracy and consistency.</p> <p>The outcome of the funding audit is not expected until the first week in December. The College has not been made aware of any issues and Price Bailey has spoken to Mazars and not reported anything back.</p>	
OPERATIONAL AUDIT ITEMS		
9.	<p>Schedule of outstanding internal and external audit items</p> <p>There is only one red-rated item on estates management as a result of the estates facilities manager leaving at the end of October. The actions reported in the asbestos report have not been completed but are in areas not frequented by anyone except estates staff. Stickers will be put up where appropriate to raise awareness. Whenever the College undertakes any work, an asbestos assessment is done before it commences. This work is scheduled to complete by the end of December 2023. New KPIs will be put in place</p> <p>A full system review was undertaken of the payroll and HR system in June 2023 and Debs Hurst personally makes a review of each payroll run. With regard to the Parago system at South Essex College Debs Hurst was asked how this was working. She has had no feedback and recognized that the College needs a good asset management system in-house, and this will be reviewed in the future</p>	
10.	<p>Internal audit reports</p> <p>Subcontracting standards report</p> <p>This is the first year that this type of audit has been done in the new subcontracting standard despite it being published in 2022. Scrutton Bland has undertaken similar audits in 16 other colleges and benchmarked against these Chelmsford has performed well with only three recommendations overall. This is important as it allows the College to continue to subcontract when appropriate.</p> <p>A document had been shared with the Chelmsford management team that demonstrates that in the three areas where the College had partially complied are hard to achieve with only 76% of all colleges similarly compliant in the first area and 71% in the others.</p> <p>There were three recommendations:</p> <ul style="list-style-type: none"> • Updating the subcontracting policy • Reviewing start dates • A formal plan of mutual training between the subcontractor and the main provider should be developed. <p>Governors commented that training has been an issue for some time and</p>	

seems to have taken a long time to resolve despite being a big part of contracts. Paul Goddard agreed and added the remit has been widened and that many different types of training have been added.

David Warnes said that the College is holding a subcontracting conference for CPD purposes in summer 2024 as an annual event and this will include aspects of training.

9

Internal audit service annual report to July 2023

Scrutton Bland was appointed on a limited basis which made it difficult to offer an opinion. In this year there were six assignments but only three were sufficiently sizeable to result in an opinion.

Summary of Findings Year Ended 31 July 2023

Annual Plan	Recommendations					Overall Assurance
Audits finalised	High Risk	Medium Risk	Low Risk	Total	Added Value Points	Level assigned
Safeguarding				0		Strong
Maths and English Attendance				0	1	Significant
Essex Shared Services – Budgetary Control		1	4	5	1	Reasonable
Wider tutorial programme (Health check)				0		Health check
Mental Health and Wellbeing (Health check)			1	1	1	Health check
Additional work						
Subcontracting Standard				3		Compliance
Totals	0	1	5	6	3	
Totals 2021/22	2	4	12	18	10	

Paul Goddard noted that there are fewer recommendations than the prior year and this is dependent on which areas are audited. The team is grateful for the Chelmsford teams' preparations for these audits.

The tables on pages 9 and 10 of the report offered useful benchmarking information of the College's position against all SB clients in 2022/23. The recommendations reflect the increased risks found in the sector.

Governors recognized that planning is critical to achieving best value from the audit service. This was agreed but it was also noted that the plan may be adjusted to reflect emerging requirements.

One-page progress report

This is an overview, but work has not commenced. Paul Goddard invited the Committee to comment if this schedule seems appropriate.

Governors asked if the audit planned for ESS might be reviewed if the relationship were to change. Debs Hurst said that any changes would be

	<p>amicable and are likely to take time, so this audit is likely to be appropriate. It will also help inform development of procedures as the College brings them back in-house.</p> <p>Jenny Beaumont thanked Scrutton Bland for the support, the quality of reporting and benchmarking information which has all been valuable and appreciated by the Committee.</p>	
10	<p>Update on national and statutory audit matters Paul Goddard reported that:</p> <ul style="list-style-type: none"> i. The College financial handbook will be key to the FE Sector and is likely to have a prescriptive method of reporting. It is likely to remove some of the autonomy. DH said it is possible that there will be a template-chartered set of accounts included which will change recording and reporting practices. Timing is not confirmed but may be by April 2024. ii. The revised code of good governance for English colleges has been launched and is more simplified. iii. RAAC testing has had an impact on the FE sector. Debs Hurst confirmed that the College has no RAAC and has reported this to the DfE. iv. ESFA Funding auditors' forum will report the results of funding audits and PG will share outcomes. 	
ANNUAL AUDIT REPORTS		
11.	<p>Annual Report of the Audit Committee to the Board 2022/23 Jenny Beaumont reported that she had made many corrections to this report and invited members to submit their contributions also.</p> <p>The Director of Governance suggested that a delegation for final approval be made to the Chair, whilst also circulating the report to colleagues and inviting input, in order that the timelines for the business of the annual reports could be assured. The Chair reminded the Director of Governance that this was a matter for the Committee and that she wished to have the support of her colleagues in approving things so did not wish to have delegated authority.</p> <p>The Chair commented that she found the reference to Casterbridge College very confusing. DH explained that this is the FE sector standard provided annually in the Accounts Direction Handbook and these errors will be removed in the final ARA.</p>	
12.	<p>External audit management report and letter of representation Items 15- 19 were deferred until a final version could be supplied.</p>	
13.	<p>Post audit management letter (regularity and financial statements)</p>	
14.	<p>Regularity self-assessment questionnaire (RSAQ")</p>	

17	<p>Draft Annual Report and Financial Statements 2022/23 (including Dovedale Nursery) to include regularity and management letter</p> <p>The Committee noted that it was pleasing to see that the nursery has recovered post-pandemic and DH said that it was recruitment of staff that was the limiting factor to growth. The College has explained to customers that the pricing has risen due to the rise in the national minimum wage. Governors noted that the nursery had achieved an outstanding outcome.</p>	
15.	<p>Draft ESS Limited Accounts to 31 July 2023 Debs Hurst is awaiting a set of accounts from Essex Shared Services.</p>	
OTHER ITEMS		
16.	<p>Business resilience policy (disaster recovery) There was only one significant amendment as item 11 is a new appendix to reflect communication of deaths of students.</p> <p>ACTION: The appendix should be added to the index and page numbering throughout should be completed.</p> <p>AGREED: THE BOARD AGREED TO RECOMMEND THE BUSINESS RESILIENCE POLICY TO THE BOARD AT ITS DECEMBER MEETING.</p>	DW
17.	<p>Annual data protection report 2022/23 There were no questions.</p> <p>The Chair had some items that she will not address to the meeting on various details on data flow mapping etc.</p> <p>ACTION: ME to offer an update on the pros and cons on making these changes outlined on page 9 of the annual data protection report 2022/23 to workflow to the March meeting.</p> <p>Doug Zeeman will be making his governor link meeting to this area in the next few weeks and will report back.</p>	ME
18.	<p>Committee self-assessment report for 2022/23 The self-assessment is very positive.</p> <p>The Chair thanked members for completing it and invited members to email or call her with any questions on process or procedure.</p>	
19.	<p>Policies Whistleblowing policy</p> <p>PG suggested that the Committee might ask for assurance that this is accessible to all staff. DH said it is on the intranet and all new starters are made aware of each of the College's policies as part of induction and probation.</p> <p>AGREED: THE AUDIT COMMITTEE AGREED TO RECOMMEND THE WHISTLEBLOWING POLICY TO THE BOARD.</p>	

20.	Any other business There was none. The meeting ended at 17.55.	
21.	Date of next meeting It was noted that an extraordinary meeting is likely to be convened. DH will suggest the date of 7 December to Price Bailey. Governors asked that sufficient time be allowed to scrutinize the documents before any meeting. 5 March 2024 is the next scheduled meeting.	

Chair approved