

**CHELMSFORD COLLEGE
AUDIT COMMITTEE MINUTES
TUESDAY 22ND NOVEMBER 2022 AT 4.30PM
COMMITTEE ROOM, COULSHAM STREET CAMPUS,
CHELMSFORD**

SCHEDULE 1

Members:

Jenny Beaumont (Chair)
Susan Hughes
Jaya Patten*
Doug Zeeman
Jan Church
Christian Norman
Alan Pitcher

Invitees:

Paul Goddard Scrutton Bland (Internal Audit Service)*
Debs Hurst (Deputy Principal, Finance & Corporate Services)
Debbie Garroay (Vice Principal Curriculum & Quality
Mark Emerson (Director of Information Services)
Alice Walker (Scrutton Bland, IAS) *
Gary Miller / Suzanne Goldsmith (Price Bailey – external auditors)
Fiona Chalk (Interim Clerk to the Corporation)
*via Teams

FORMAL MATTERS

721. APOLOGIES FOR ABSENCE AND WELCOME

No apologies were received. The Chair welcomed Alan and Christian on joining the audit committee.

722. DECLARATIONS OF INTEREST AND TO NOTIFY ANY CONFIDENTIAL ITEMS

No new declarations received. Meeting with Auditors (item 3 on the agenda) was deemed confidential.

723. TO MEET WITH THE EXTERNAL/INTERNAL AUDITORS PRIVATELY

See confidential minute.

724. TO APPROVE THE MINUTES OF THE MEETING HELD ON 21ST JUNE 2022

The minutes were agreed as a correct record on the meeting.

725. MATTERS ARISING

- Staff survey on risk experience and understanding

Governors noted that there has not yet been sufficient time to do this yet but it should take place within the new year and will be reported to the next meeting.

Business Continuity Plan – this is in place and will be reviewed

Inflation is on the risk register as orange, governors questioned whether it should be red. This is covered under energy costs.

DW advised that a new risk around phased power cuts as part of the government's advice, and this will be added to the Disaster Recovery Plan

ACTION: Add Disaster Recovery Plan to next Audit Committee agenda

TO DISCUSS AND APPROVE

726. ANNUAL REPORT AND ACCOUNTS 2021/22

- Management letter CC and Dovedale Nursery
Outstanding items were noted and are expected to be completed shortly. The key risks have been tested and nothing that would cause concern has been found.
Very few adjustments are required – none that affect income. £17k of unadjusted items and no change required to the accounts as this is a low number.

Priority 2 items:

Charge cards, not a material risk

Reconciliations with balance sheet items and the comments were noted.

Priority 3 items:

Tender processes – this was not always taking place during the pandemic due to the location of staff away from the office, requiring processes to be amended. These to be reviewed to reflect current practices.

Fixed Assets – depreciation accounting estimates - £6.9m on the fixed assets register has been written down with no accounting value, but some items are still in use. If they are still being used, they should have a residual value. Governors questioned whether the Depreciation policy is too quick or whether the depreciation rate should be down to a minimal value rather than at £0.

It was agreed that there should be some value for the assets that are being used.

ACTION: A review of whether items on the Fixed Asset register that have been fully depreciated are still in use, and Scrutton Bland (IAs) to be approached to undertake this work

Priority 4 items:

Approval of payments by email – common during lockdown, but not terribly secure, so consideration to this practice should be given

Management override and journals – on a sample basis of posting, nothing untoward was found, but there was no proof of a review of the journals to ensure they are verified

Education contracts testing – ensuring invoices raised and paid. This has now been rectified and will be removed from the final version of the letter

Authorisation procedure. If it is sensitive material, the college uses encrypted documents. These are small value payments. The college cannot afford a new system that would alleviate this risk, at this point.

Declaration of Business interest forms should record all close family members' names, not just when family members are linked to the college. IAs asked for clarity on what 'None' means when entered on the form – does it mean no relatives or no business interests? There should be a list of family members over 18, to ensure all related party transactions are transparent. Auditing standards state that the External Audits must have this information.

Construction costs - £65k of costs are noted as being posted 16 days after year end without detailing when the work was undertaken. It was noted that capital expenditure is not accrued at year end as it does not affect profit and loss – i.e. summer works always takes place across the 2 financial years. If it were major works, it would be recorded.

ACTION: Related Party Transaction Forms to be reviewed so wording is clear and ask Governors to submit this information.

Dovetail Nursery Management Letter

Bad debt provision – this provision was more than it needed to be. Monies are being recovered from parents where possible.

Going concern report

- Governors noted:
- Debt management – loans are decreasing
- Student numbers are going up
- Income has seen a modest growth
- Expenditure has the risks of inflation and energy costs being closely monitored
- The college will be looking to find savings £700k to cover potential increase in energy costs
- The planned surplus will be at risk
- Bank covenant arrangements

ACTION: The committee recommends approval of the Going Concern letter to Board

College group financial statements

Reconciliation figures were noted, together with income received since year end, alongside an Actuarial gain of £7m which shows a better position on the balance sheet than previously stated. The actuarial figure can swing each year, so is not a cash figure. Without the LGPS figure, governors noted a £120k loss overall.

Updated Bank Covenant

The final draft has been received today. Some comments are being reviewed and this will come to Board on 9th December. The minimum cash balances are at threat for 2023/24, although the wording is not so strict for next year and the bank will revisit these figures for 2023/24. The Deed of Covenant will be in place for this year.

ONS reclassification remains a risk which could change the way colleges are funded and smooth the income profile, which would be beneficial to the college. Details on this should be known by the December Board.

ACTION: The committee recommend approval of the group financial statements to the Corporation

Report and accounts for Dovedale Nursery

A review of final text is being undertaken, and no matters of concern were raised. The gift aid Deed position will be clarified.

ACTION: The committee recommend approval of the Dovetail Nursery accounts to the Corporation

Report and accounts for ESS Limited (to note)

See confidential minutes

Teachers' pension agency return

Governor noted the return. No issues were raised.

Letters of Representation for Chelmsford College and Dovedale Nursery

Governors noted these are in place.

Gary Miller, Price Bailey, left the meeting.

727. RISK MANAGEMENT REPORT

Risk register

Governors noted the current risk register

Risk report (including Dartboard) - presentation

Governors noted staff recruitment continues to be an issue and is still rag-rated red and is across all areas, not just in Electrical. Inflation/energy costs also remain rag-rated red. Salary projections including national minimum wage increases as announced in the Autumn Budget, will affect 55 staff directly and 35 staff on the differentials for staff above minimum wage. NI has also increased. These increases put further pressure on the budget. Also, following the recent legal ruling, changes to holiday pay to term time only staff, has resulted in £65k extra costs, T Level Childcare has resulted in a £30k clawback as it has not run this year but will be funded for next year. Governors expressed their disappointment that there was no announcement in the Autumn Statement about increased funding for FE.

All amber risks and their actions were noted.

ONS classification is not yet on the register.

Governors asked what actions will be taken to address the difficulties in staff recruiting. DfE have launched a website on Skills to Teach and will be

running recruitment adverts on TV. The college looking at holding recruitment days in January. The workforce plan looks at this and will be discussed at an SMT workshop next week.

Business continuity and disaster management updates were discussed.

728. INTERNAL AUDIT

- a) Completed internal audit reports 2021/22
Estates Management – reasonable assurance was given, which was weighted on one exception found. There is a lot of good processes in place. The high-risk recommendation has now been closed off, in regard to asbestos survey work and resulting actions. Low-level actions such as labelling areas of asbestos are to be undertaken. This now an annual compliance requirement.
2 low risk recommendations.
A software solution is being trialled in SECG as a compliance solution. Currently there are registers and records in place for management of this.

Funding Assurance – Not part of the audit plan but to help support Price Bailey on validating income, this work has been undertaken. Some colleges have external ESFA funding audit, but this has not taken place at Chelmsford this year. This shows funding compliance, and the college is highly compliant, with strong assurance on apprenticeships, and should be highly recommended. The committee asked for their thanks to be passed onto the team.

Payroll – ESS review - reasonable assurance was given. There are a number of vulnerabilities – there is a need for clear audit trails and recommendations for streamlining. A manual adjustment resulted in an increased payout to a staff member, which has resulted in changes to the levers that will be used in these processes going forward. Two medium recommendations – requesting validation to change bank account details, and evidence to back up checks and balances are received. The other is regarding communications to payroll not always received using the payroll inbox, and this is a potential security risk.

Management confirmed that the overpayment was a one-off, and an override should not have happened and training on the system should prevent this error being repeated.

Governors asked if the processes at both colleges are different for payroll, which may cause confusion at ESS. Yes, they are and working remotely in the pandemic has made it difficult for team, but there are processes in place which must be used appropriately.

Governors noted that Scrutton Bland have been asked to come in and do a health check on this next year to independently verify that these issues have been addressed. This was agreed at the ESS directors meeting today.

b) Annual internal Audit report 2021/22

Scrutton Bland advised that a total of 15 days in the audit plan means that there is not time to sufficiently audit in order to provide a complete opinion. However, as there are other external audits taking place this year, there is sufficient coverage to enable the IAs to give full a opinion for the year. The IAs therefore gave an adequate and effective opinion stating Chelmsford College:

- has adequate and effective risk management processes
- has adequate and effective governance processes
- has adequate and effective control processes; and
- has have adequate and effective processes surrounding efficiency and effectiveness.

The key observations were noted that feed these opinions. The individual pieces of work undertaken were noted.

Benchmarking across the sector was noted – Chelmsford college is above the average for significant assurance, reasonable and limited assurance and about equal on the number of recommendations issued.

Paul Goddard, Scrutton Bland, left the meeting.

729. PREVIOUS AUDIT RECOMMENDATIONS (VERBAL UPDATE)

Internal Audit plan 2022/23 – progress to date

Mental Health and Wellbeing check for 22-23. This is a health check which doesn't have an opinion, but details effectiveness. There is a robust framework and lots of good work taking place. The use of the AoC mental health charter is a big commitment. One low risk recommendation to formalise the Working Wellbeing Group to report on actions.

Committee stated they were pleased to receive this report and it validates the reporting received from the senior team on this work.

730. DATA REPORTS

Annual summary IRL report - Presentation noted.

There has been limited reporting on this historically and there has not been an ESFA funding assurance recently, so this reporting gives the committee further assurance. There will now be an annual funding assurance report, which Scrutton Bland carried this year. This was very positive with significant assurance.

Sub-contracting audit is an annual requirement as an assurance report. A significant assurance opinion was received.

16-19 bursary and Free School Meals audit by ESFA is currently being undertaken. The audit requires the college to have below a 5% error rate and on the current sample, there is a 0.99% - equivalent to £235.

Governors noted a number of business-as-usual assurances – ILR funding return to the ESFA which contains monthly assurance reporting.

Currently 16-19 student numbers are at 2235, which if there is no change to funding methodology this year, the college will receive a £365k reduction in funding next year as a higher number of students are on courses with lower cost weighting. However, more T Levels students will add to increased funding. Funding has increased by £2m in the current year compared to last year due to a national rate increase.

AEB continues to be a challenge across the sector including at Chelmsford, resulting in a £77k clawback, which was primarily offset in costs. This hasn't been adjusted in the accounts due to the limited materiality. This will be shown in the KPI document going to the Board in December.

IT development update

The refreshed digital strategy was reported at the Board away day, and there 5-year refresh programme for IT is coming to an end, so the college is now in a good position with its IT. A new 10-year strategy will be formulated for 2024, which will fit into the overall college strategy. The roadmap on the presentation was noted, showing all the work completed to date. Governors will get to see the new areas of the college that are being developed as part of this strategy, at an open event in the near future.

Cyber security strengthening was discussed, alongside the innovations for curriculum. This is an area of interest, and the committee requested a further presentation on this area.

ACTION: Cyber security presentation to be considered for the next committee meeting

Annual data protection report

The policies and processes in place to ensure compliance with regulations were noted.

Data breaches are currently being reported, although there were no reportable incidents over the last period of reporting.

CCTV release data was noted. Governors asked about data requests from third parties. External requests were very small and recorded under prevention of crime or insurance claims.

ACTION: The committee recommend the Annual Data Protection report to the Corporation for approval

731. COMMITTEE MATTERS

- Committee self-assessment 2021/22
The chair thanked everyone for their responses and the good attendance at this committee over the last 12 months. Performance is noted as being graded as Good.
Training and Development requests were noted and will be taken forward by the Clerk in a training and development plan for 22-23. It was noted that some training is taking place through presentations at meetings and some are covered at the development day.
- Annual report of the Audit committee 2021/22

The committee noted the report. Following this meeting, the final updates will be made. Subject to the updates, the committee approved the report to the Corporation.

ACTION: FC to update the Annual Report of the Audit Committee and send to DH, for the December Board meeting.

Review of terms of reference and compliance with terms of reference
The committee noted the review that had been undertaken. The ToR are considered fit for purpose and not updates were required.

732. ANY OTHER BUSINESS

None.

The meeting finished 18.38

DATES OF NEXT MEETING

Tuesday 28th February 2023 at 4.30pm

Tuesday 20th June 2023 at 4.30pm