

**MINUTES of the meeting of the AUDIT COMMITTEE of the Corporation  
held at Canterbury College on Tuesday, 21 March 2017 at 5.30 pm in J221**

**MEMBERSHIP:** Steve Solly (chair) Anne-Marie Nelson, *Bob Jones*, Hugh Summerfield, *Julian Kirkness*

**In attendance:** Sharon Hollingsworth, Clerk to the Corporation  
 Chris Legg, Executive Director, Finance & Commercial Development  
*Mark Hill, Executive Director, East Kent College's Partnership including Marketing, legal and Corporate Services*

**By invitation:** Frameworks Skills Consultancy - Phil Golding  
 Wilkins Kennedy – Paul Nixon and Andy Costin

**Minute Number**

985	<b>WELCOME and APOLOGIES FOR ABSENCE</b>	<b>Action</b>
	i. The Chair welcomed members to the meeting. ii. Apologies were received from Julian Kirkness, Bob Jones and Mark Hill.	
<b>986</b>	<b>DECLARATION OF INTERESTS</b>	
	<b>NOTED</b> i. There were no declarations of interest received.	
<b>987</b>	<b>MINUTES OF THE LAST MEETING HELD ON 22 NOVEMBER 2016</b>	
	i. The minutes of the meeting were formally approved as an accurate record and signed by the Chair.	
<b>988</b>	<b>MATTERS ARISING</b> <b>Update from the Chair</b> i. The Chair updated Members of the following matters: <ul style="list-style-type: none"> <li>• The FE Commissioners Team had been very impressed with the progress made by the college team and on governance matters during their re-visit in January 2017. Given the good progress, the College is no longer in intervention with the FE Commissioner.</li> <li>• The Students' Union had received an uplift of £10,000 taking the annual block grant up to £40,000. The uplift included £5,000 Beacon Award.</li> <li>• Disparity between the EKC Insurance and Canterbury College Insurance, particularly in regard to assets. CL advised that BDO due diligence process should include advice on insurance cover for the merged organisation.</li> <li>• The Corporation agreed in principle, subject to the carrying out of legal and financial due diligence exercises in respect of the Corporation of East Kent College; the proposal to dissolve with effect from 1st August 2017, and to provide for the transfer of its assets, rights and liabilities to East Kent College; to bring together Canterbury College and East Kent College as one merged entity.</li> </ul> <p>[Anne-Marie Nelson joined the meeting at 5:45pm]</p> ii. The Chair referred to minute no: 982 of the minutes from the last meeting that raised concern about delayed delivery of drop-out numbers and the lagged-funding impact for 2017/18. CL advised that the College had received some protection around banding rates	

	<p>which was good news and reported a balance of a <del>projected</del> <u>round</u> £0.5m <u>overall budget</u> <u>shortfall</u> for next year. CL reminded Members that the College had been overpaid this year which will consequently need to be paid back in 2017/18. A Governor questioned if there were any further issues arising, CL explained that until a full year's <u>budget cycle</u> had passed it was hard to say <del>what has happened previously</del> <u>with absolute certainty</u>.</p> <p>iii. CL assured Members that submissions to the Funding Agency, in particular with regard to the student withdrawals, is in place and an ongoing process. CL clarified that the College is doing what it needs to do to make sure that it does not happen again. Controls are in place to mitigate the issue arising again. CL reminded the Committee that the SFA Funding Audit did not pick up the problem. Members noted there is no evidence to suggest that the inflated submission last year had been deliberate.</p>	
<p><b>989</b></p>	<p><b>INTERNAL AUDIT REPORT – APPRENTICESHIPS READINESS REVIEW</b>  [Phil Golding joined the meeting for Agenda item 5.1]</p> <p>i. Phil Golding presented and steered the Committee through the strengths and key recommendations of the report. PG invited questions.</p> <p>ii. PG clarified that no one knows what will happen from May 2017 until funding reforms begin. PG urged the College to begin conversations with employers now and that articulating the offer to employers is important. Working with teams in the College to promote internal progression to an Apprenticeship is also key.</p> <p>iii. Governors discussed larger organisations on the Register of Approved Training providers that will have the option to use their Levy to upskill their own employees through an apprenticeship programme, although the course must be compliant with the Levy guidelines.</p> <p>iv. A Governor enquired about the difference between standards and frameworks. For clarification, PG described the differences to provide the Committee with a better understanding. Generally, Standards are likely to cost more to deliver, are employer-led and involves the employer designing the apprenticeship linked to a job role. A Framework is a qualification based apprenticeship.</p> <p>v. PG advised that planning for the longer-term approach is important. Governors noted that the College might take a fall in apprenticeship numbers this year but the numbers could come back the following year. PG reminded Governors that a strategic approach, noting that ‘funded’ provision now becomes ‘commercial’ provision is essential.</p> <p>vi. A Governor asked who the private providers might be and what they might deliver. PG advised Business Admin, Early Years and Health and Social Care are the most likely to be offered.</p> <p>vii. PG was complimentary about the College commenting that staff were committed and well placed to provide quality provision. A curriculum plan is in development with LMI and there is a Task and Finish group in place. The risk associated with the Apprenticeships reforms are also included on the risk register.</p> <p><b>RESOLVED – Sarah Lane, Director of Business Training to present the college plan for Apprenticeship reforms and provide a progress update at the next meeting.</b></p> <p>There were no further questions. The Chair thanked Phil Golding for his attendance.  [Phil Golding left the meeting]</p>	<p><b>SL</b></p>
<p><b>990</b></p>	<p><b>INTERNAL AUDIT REPORTS:  REVIEW OF KEY FINANCIAL CONTROLS/FINANCIAL &amp; MANAGEMENT REPORTING AND SUPPORTING MIS</b>  [Paul Nixon and Andy Costin joined the meeting for Agenda item 5.2]</p> <p>i. Paul Nixon and Andy Costin led members through the detail of the report and explained the RAG rating. There were no red issues highlighted. Items of note included:</p>	

	<ul style="list-style-type: none"> <li>• Password security – Members had different views about password security. WK acknowledged that password complexity requirements are of greater importance than regular changes. The College will continue to delete users when they leave the College’s employment.</li> <li>• The Chair enquired about the system of check on Purchase Orders. CL clarified that budget holders do have the discretion to decide what they spend their money on and they can authorise expenditure up to £1,000. WK confirmed delegated authority to spend £1,000 is sensible.</li> <li>• <b>Page 41 of the presented report:</b> <ul style="list-style-type: none"> <li>- <b>Payroll expenditure is correctly classified.</b> A Governor questioned the sample of employees selected commenting that it would be better practice to also include a bias sample that includes the Finance Director, senior post holders and consultants. The Governor raised serious concern over the low sample of five employees that were selected at random, citing that a wider sample would have been more beneficial and provide an extra element of comfort.</li> <li>- <b>Pension Scheme opt in / opt out forms.</b> A Governor questioned the issue of the missing opt-out pension form, noting that the payroll department had been under the scrutiny of Audit Committee for its poor management of pension opt-in and opt-out preferences. The Governor tasked WK to follow up the issue and report to the Committee explaining that it was not acceptable to leave the issue unresolved.</li> <li>- CL clarified that there is spare funds in the budget should the Committee wish to commission WK to take a deeper look with a shift from testing the controls to looking for mistakes. WK clarified that to examine a further sample of 10 employees would take an extra day and the cost for the additional work would be £750.</li> </ul> </li> </ul> <p>ii. A Governor raised concern that the WK reports did not include details of the hour’s allocation between the different sections. In addition, the use of language in the conclusion was misleading and unhelpful. The format of the report was also poor.</p> <p>iii. The Chair enquired about the system of Best Value through consolidated purchase. CL advised that in his experience he has had limited success in the past. In the past the process had become unwieldy due to the number of procurements undertaken. CL noted that the College has a Procurement Officer in place and agreed there would be opportunities to explore opportunities further in the merged organisation. CL clarified that the College is currently looking at efficiency programmes with EKC across all its services. Post-merger memberships with external bodies will also be a high priority given the opportunity to save money.</p> <p><b>RESOLVED –</b></p> <ol style="list-style-type: none"> <li>1. <b>The Committee agreed to commission WK to undertake one additional day’s work at the cost of £750. The full scope of proposed work to be presented to CL and shared with the Clerk.</b></li> <li>2. <b>CL to present an updated set of Financial Regulations at the next meeting</b></li> </ol> <p>The Chair thanked Paul Nixon and Andy Costin for their attendance. [Paul Nixon and Andy Costin left the meeting]</p>	<p>WK</p> <p>WK/CL</p> <p>CL</p>
<p>991</p>	<p><b>COLLEGE PERFORMANCE INDICATORS</b></p> <p>i. CL detailed the changes within the CPI regarding staff absence rate clarifying that the current reported position is satisfactory.</p> <p>ii. Governors noted the CPI for accidents is set at 81, compared to the reported actual of 80 for January 2017. For clarification, CL advised the reported Health and Safety (H&amp;S) CPI was encouraging and explained that the increase of reported incidents is believed to be due to the improved data capture rather than an actual increase in incidents. CL assured</p>	

	<p>Members that controls are in place, and advised that a culture where everyone understands that H &amp; S is their responsibility is becoming more evident.</p> <p>iii. AMN who is also the lead governor for H &amp; S commented that it would be helpful if Justin Hill could provide AMN with H &amp; S updates outside of the meeting. The Clerk offered to speak to JH.</p> <p>iv. CL advised that the audit recommendations from the Wilkins Kennedy Report and the Frameworks Apprenticeship Readiness Review Report are incorporated in the Outstanding Audit Points document. The RAC Committee will review the progress against the actions at their next meeting in May 2017.</p> <p>[HS left the meeting at 7:30pm]</p>	Clerk
992	<p><b>RISK, AUDIT &amp; COMPLIANCE COMMITTEE REPORT</b></p> <p>i. CL shared the minutes of the Risk, Audit and Compliance (RAC) Committee that met on 15 March 2017. CL explained that it was a fairly new Committee, which considers Risk Management, the work of the Internal Auditors and management responses, and compliance matters, such as SFA recommendations and Health and Safety. CL invited questions.</p> <p>ii. A Governor noted that Justin Hill had not been included in the Membership of the Committee in the minutes. CL advised that <del>he would arrange for the minutes to be updated</del> <u>Justin Hill is not a member of this committee, but is invited to report in each meeting.</u></p> <p>iii. A Governor noted not all Department Heads are engaging with the Risk assessment requirements and enquired what is being done to rectify the situation. CL explained that the Executive are due to look at training for Senior Management on the next College Improvement Day.</p> <p>iv. Another Governor enquired about the completion and monitoring of student personal risk assessments noting that they are currently not consistent through all departments and in some areas the risk assessments are of a poor standard. CL advised that a Task and Finish <u>Group has been formed</u> to look deeper into the issues <del>has been formed</del> and will report back to the next RAC meeting.</p> <p>v. Governors noted the Head of Estates and Capital is looking at software programmes for the reporting of health and safety accidents, risk assessment and the maintaining of college equipment for all campuses.</p> <p>vi. There were no further questions and the Chair thanked CL for the report.</p>	CL
993	<p><b>RISK MANAGEMENT REPORT</b></p> <p>i. The Chair informed Members that he had met with MH prior to the meeting of the Audit Committee to review the presented risk register and to go through the proposed changes in some detail. The Chair commented that in his opinion he was satisfied with the presented risk register. The Chair invited Governors to comment.</p> <p>ii. Governors reviewed the risk register and discussed the presented highlighted changes. A Governor questioned why risk number 8 is listed lower in the risk register. For clarification, CL confirmed the nine risks detailed in the risk register are not listed in rank order. There were no further comments.</p> <p>iii. The Committee agreed they were satisfied with the systems of control in place to identify, monitor and assess, to mitigate risks going forward.</p>	
994	<p><b>ANY OTHER BUSINESS – CONTINGENCY PLAN</b></p> <p>i. The Chair informed Members that he had recently reviewed the contents of the Business Continuity Plan to check the College Plan in the event of a major business interruption of services. The main concern raised by the Chair is the lack of a proper detailed contingency plan should the College suddenly suffer a disaster-related event that led to the closure of the site and a rebuilding process thereafter.</p>	

	<p>ii. A Governor commented that the likelihood of a business interruption disaster happening is a low risk, but recognised that the impact is very high. CL suggested that given the multi-site operation of the colleges it would seem sensible to decant to another campus, particularly given the known site utilisation statistics of the college. Members discussed the interruption to, and the decanting of, students, staff and business services such as IT, HR and Payroll. A Governor commented that it is a real problem, firmly suggesting that the College requires a fallback position that includes consideration of a transportation strategy.</p> <p><b>RESOLVED – CL to arrange for the Business Continuity Plan to be reviewed and to include detailed arrangements of what will happen to students, staff, services etc., in the event of a disaster occurring.</b></p>	<b>CL</b>
<b>995</b>	<p><b>ANY OTHER BUSINESS – MERGER UPDATE</b></p> <p>i. The Chair reminded the Committee of the merger target date of 1 August 2017 citing that it is an ambitious target and is subject to risk of external factors.</p> <p>ii. Given the merger target date the Chair was mindful of the current temporary partnership arrangements, in particular regard to the sharing of the Principal, Deputy Principal and Executive Team, commenting that there is a potential risk that Canterbury College might lose its Principal and Deputy Principal in the event of the Merger not going ahead.</p> <p>iii. CL advised that BDO are currently undertaking the due diligence work that is necessary to provide advice to the Colleges on the adequacy of the Strategic Business Case and Implementation Plan prior to any formal submission to the Restructuring Facility and Transaction Unit for funding and debt restructuring support.</p> <p>iv. The Clerk informed the Committee that the Corporation is due to receive a Merger update report on 27 March 2017. The Clerk noted the report highlights the need to review the position if it becomes clear that the date of merger will be post 1 August 2017, particularly noting that both Corporations will need to consider extending the partnership arrangements.</p>	
<b>996</b>	<p><b>DATE OF THE NEXT MEETING NOTED</b></p> <p>i. The next meeting is scheduled for Tuesday, 13 June 2017 at 5.30 pm in J221.</p>	
<b>997</b>	<p><b>EVALUATION OF THE MEETING NOTED</b></p> <p>i. The evaluation from the last meeting was noted.</p> <p>ii. Members were asked to complete the evaluation of meeting form. The Clerk will take forward any matters raised.</p>	