

Colchester Institute Corporation

**Audit and Compliance Committee**

**Annual Report to the Board and Chief Executive  
2010 - 2011**

1. **Introduction**

This annual report is submitted to the Corporation Board and to the Principal and Chief Executive in accordance with the Audit Code of Practice.

The report covers the work of the Audit and Compliance Committee for the period 1 August 2010 to 31 July 2011.

2. **Membership**

The Committee comprises a minimum membership of four. Actual membership at 31.07.11 was six.

Membership during 2010-11:

	<b>Date appointed</b>	<b>Date ceased to be a member</b>
<b>Board Members</b>		
Kevin Prince (Chair)		
John Baugh		
Christopher Bridge		
Michael Dew		
Ron McKay		
<b>Non-Board Member</b>		
Richard Wainwright	01.03.11	

Christopher Bridge and Richard Wainwright have appropriate financial qualifications and/or audit experience.

3. **Attendance of Non-Members**

Committee meetings are normally attended by:

Principal  
Director of Corporate Services and Finance  
Internal Auditor

The Financial Statements Auditor attended meetings at which items relating to the Audit of the Financial Statements and Regularity Audit for the Year Ended 31 July 2011 were discussed.

4. **Clerking**

All meetings of the Committee were clerked by the Clerk to the Governors, Hazel Paton.

5. **Quorum**

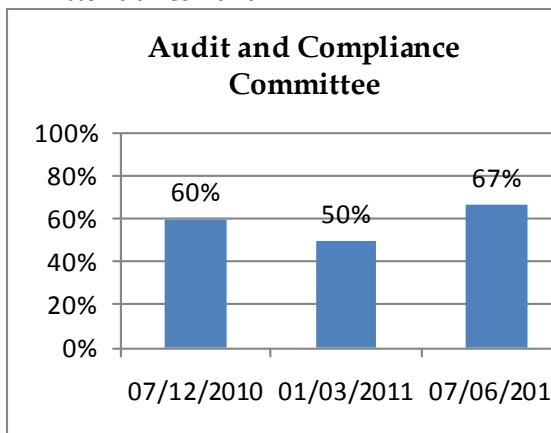
The quorum for meetings of the Committee is three members. All meetings were quorate.

6. **Meetings and Attendance**

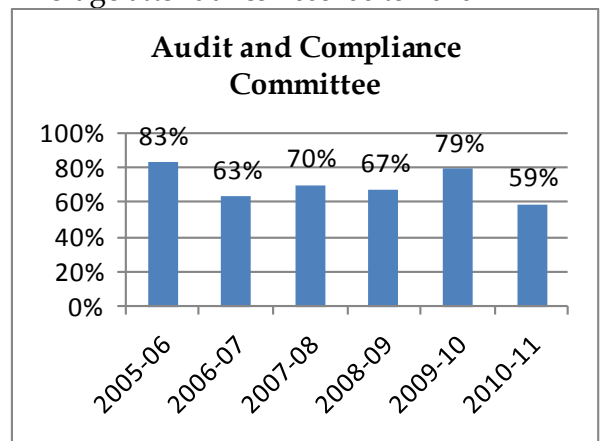
The Committee met on three occasions:

- 7 December 2010
- 1 March 2011
- 7 June 2011

Attendance 2010-11



Average attendance 2005-06 to 2010-11



7. **Terms of Reference**

The Terms of Reference were last reviewed by the Committee in March 2011 and the recommended changes approved by the Board on 03.05.11. The Committee is satisfied that it has fulfilled all its responsibilities during the year under review.

8. **Internal Audit**

8.1. **Service Provider**

The Colchester and Essex Internal Audit Consortium continued to provide the internal audit service.

8.2. **Internal Audit Reports**

The Committee continues to monitor and rigorously review management's responses to the action points in all internal audit reports and any significant delays or issues are taken up by the Committee with the Principal. The Committee does not sign off an internal audit report until it is satisfied that all action points have been satisfactorily discharged by management or exceptionally they have been carried forward.

During the period under review, the Committee received the following follow up and new reports:

Report	Date original report received	Date report signed off
<b>Follow Up Reports</b>		
E Registers, EMA and ALG	24 November 2009	7 December 2010
Travel and Expenses	8 June 2010	7 December 2010
Pension Scheme	8 June 2010	7 December 2010
Educational Visits	8 June 2010	7 December 2010
Catering Contracts - The Minorities	8 June 2010	7 December 2010
Learner Support Fund	7 December 2010	1 March 2011
Colchester Institute Enterprises Limited	2 March 2010	7 June 2011
Expenditure	24 November 2009	
Information Accessibility and Security	24 November 2009	
HE Funding	24 November 2009	

<b>New Reports</b>		
Examinations	7 December 2010	
Health and Safety	7 December 2010	
Learner Numbers	1 March 2011	
Cash Income and Banking	1 March 2011	
Business Continuity and Disaster Recovery	7 June 2011	

### 8.3. Internal Audit Plan

The Internal Audit Plan is designed to enable the Internal Auditor to give an opinion on the adequacy and effectiveness of the College's arrangements for risk management, control and governance and economy, efficiency and effectiveness and inform the Audit and Compliance Committee's annual report to the Corporation Board. It is based on the College's current Significant Risks Action Plan and Internal Audit's own risk assessment.

#### Internal Audit Plan 2010-11

The Internal Audit Plan 2010-11 comprised fourteen assignments to be delivered over 240 days. No problems were encountered delivering the plan.

#### Internal Audit Plan 2011-12

The Internal Audit Plan for the period 1<sup>st</sup> August 2011 to 31<sup>st</sup> July 2012 comprises thirteen assignments to be delivered over 150 days.

### 8.4. Internal Audit Annual Report 2010-11

The Committee has reviewed and accepted the Internal Audit Annual Report 2010-11. The Internal Auditor has given the Committee the following opinion for the year ending 31.07.11:

*"In my opinion Colchester Institute's arrangements for risk management, control and governance, and economy, efficiency and effectiveness are adequate and effective. This does not mean that all aspects are adequate and effective, but there are no indications of material*

*weakness in them. A material weakness is defined as one that could lead to a significant impact on the business, operations or standing of the College."*

## **9. Financial Statements/Regularity Audit**

### **9.1. Service Provider**

The appointment of the Financial Statements Auditor is subject to annual review and re-appointment by the Board on the recommendation of the Audit Committee. In considering its annual recommendation to the Board, the Committee applies a range of performance indicators approved by the Board. The Committee was satisfied that the Financial Statements Auditors had achieved all the performance indicators and Scrutton Bland was re-appointed for the year under review.

This is the seventh year that Sharon Gravener has acted as the lead partner. In accordance with the Audit Code of Practice a new lead partner, Tim O'Connor, will take over following the completion of the 2011 year end audit. Mark Smith will continue as Audit Manager, providing continuity.

### **9.2. Report and Financial Statements 31 July 2011**

The Committee reviewed and accepted the Audit Planning Letter and Financial Statements Auditor's report and recommend the Report and Financial Statements 31 July 2011 to the Board. The Financial Statements Auditors have given the Committee the following opinion on the financial statements for the year ending 31.7.11:

*"In our opinion the financial statements:*

- *give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Groups' and the College's affairs as at 31 July 2011 and of the Group's deficit of income over expenditure for the year then ended;*
- *have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions."*

### **9.3. Regularity Audit**

The Regularity Audit is carried out by the Financial Statements Auditor as part of the year end audit. The Committee has reviewed and approved the Regularity Audit self-assessment questionnaire completed by the College in preparation for the 2010-11 audit.

The Financial Statements Auditors have given the Committee the following opinion on regularity:

*"In our opinion, in all material respects the expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them."*

## 10. Other Items Considered during the Period under Review

### 10.1. Financial Management and Control Evaluation (FMCE)

The Financial Management and Control Evaluation (FMCE) is a tool for further education colleges to use to self assess their financial management and control arrangements. The results, once validated, feed into the Finance Dimension of the Framework for Excellence and are used by the funding body for assurance purposes.

Validation of the FMCE is carried out by the Funding Body's Provider Financial Assurance (PFA) Team. The PFA team normally carry out a desk top moderation of the FMCE; full validation of the FMCE return usually takes place when the college is being inspected by Ofsted. The PFA team validated the FMCE return 2009-10 during the period 7-9 June 2011. The College had self-assessed the overall financial management and control arrangements as being Good; the Auditors concurred with this grade.

The Committee has reviewed the completed FMCE 2010-11, agrees the overall self assessed grading of Good and recommends the FMCE to the Board for approval.

### 10.2. Risk Management

The Committee is responsible for scrutinising the College's arrangements for risk management and recovery planning on behalf of the Board. The Chair of the Audit and Compliance Committee is a member of the College's Risk Committee. The Audit and Compliance Committee reviews the minutes of the Risk Committee and the Significant Risks Action Plan and considers current risk issues.

### 10.3. Fraud Policy

Reports of suspected fraudulent or irregular acts under the College's Fraud Policy is a standing agenda item for all meetings of the Committee. There were no reported incidents of suspected fraudulent or irregular acts during 2010-11.

### 10.4. Financial Regulations

The Committee approved for recommendation to the Board the Financial Regulations and Associated Procedures 2010-11.

## 11. Conclusions and Recommendations

The Audit and Compliance Committee is of the opinion that:

- 11.1. the internal control systems; risk management and control and governance processes; and arrangements to achieve value for money at Colchester Institute are adequate and effective.
- 11.2. the Corporation Board's responsibilities, included in the financial statements, have been satisfactorily discharged

Kevin Prince  
Chair, Audit and Compliance Committee  
November 2011