

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee
held on 4th December 2015
at the Sheepen Road Site*

Present

Kevin Prince, in the Chair
John Baugh

Lisa Clampin

In Attendance

Alison Andreas	Principal and Chief Executive
Caroline Fritz	Assistant Principal: Quality and Teaching and Learning Improvement (item 3.1 only)
Gary Horne	Vice Principal: Finance and Operations
Shaun McConnell	Director of Human Resources (items 5 and 6 only)
Tim O'Connor	Scrutton Bland, Finance Statements Auditors
Hazel Paton	Clerk to the Governors
Grant Spilsbury	Assistant Manager, Baker Tilly

There were no apologies for absence.

1. Declaration of any conflicts of interest regarding any items on the agenda

None.

2. Minutes

The Minutes of the meeting held on 14th July 2015 (CIC/AC/15/5/1) were received and confirmed. The Chairman signed the minute book.

3. Matters Arising from the Minutes

3.1. Equality and Diversity

Governors discussed with the Assistant Principal: Quality and Teaching and Learning Improvement the information they would like to see included in future equality and diversity reports, in addition to the student and staff monitoring data currently reported annually. Governors noted that data on how particular student groups perform compared to national averages is included in the Self-Assessment Report but agreed it would be useful for this Committee to receive this as part of the equality and diversity report.

4. Report and Financial Statements 2014-15

The Committee received and considered:

- CIC/AC/15/3/2, Report and Financial Statements 31 July 2015
- CIC/AC/15/3/3, Financial Statements Auditors' Management Letter 2014-15

The Financial Statements Auditor drew members' attention to key issues in the Management Report. It was noted that the College made a healthy surplus of £1.1m compared to a deficit of £881k the previous year. Both results were affected by two exceptional items: the disposal

of land at Gainsford Avenue in 2014-15, and the impairment of T Block last year. The adjusted surplus for the year excluding exceptional items was £227k.

The factors in the variation between the July management report and the audited financial statements were noted. These related to FRS17 costs and funding clawback in respect of 19+ apprenticeships which could not be finalised until after the year end.

Staff costs as a percentage of total income were well within the benchmark for general further education colleges of 60% to 65%. With the continued pressures on the income line this figure is creeping up but is still forecast to be within the sector range for 2015-16.

The Balance Sheet was considered. There was an improvement in the net asset position during the year. The pension scheme deficit increased by £1.8m; this was largely due to a decrease in the discount rate used by the Actuary and increasing life expectancies. The assets within the scheme performed better than expected.

Historically the College has found it difficult to achieve its budget for apprenticeships and work based learning. It was pleasing to note that the College is well on its way to achieving its growth targets for 2015-16 with 475 starts by the end of November compared to the full year position of 540 in 2014-15 and a budget of 623. The funding per learner varies depending on age and framework area, with customer services attracting a lower rate than engineering and construction which are at the top of the funding scale. The apprenticeship area targets are in line with the LEP targets. Governors asked why the projected growth in Construction (12%) was so low given the demand and were advised that it is because this area is starting from a much higher figure and 12% represents a significant increase. This figure has already been exceeded. Creative Arts will not achieve its target (79% growth) and more needs to be done in this area. The other major growth area is in relation to HE tuition fees.

The audit and accounting issues identified during the audit relating to the Lennartz VAT arrangement, a subcontractor and the STEM project at Braintree, were discussed and accepted.

The impact on the College's accounts next year as a result of changes to UK Reporting Standards was noted. The most significant changes relate to the accrual of holiday pay and treatment of deferred capital grants.

The Letter of Representation and schedule of unadjusted items was considered and accepted.

Alison Andreas and Gary Horne left the meeting.

The Committee met with the Auditors without officers present.

Alison Andreas and Gary Horne re-joined the meeting.

It was AGREED to recommend the Report and Financial Statements 31 July 2015 and Letter of Representation to the Board for approval.

5. New Internal Audit Report

5.1. Information Technology (IT) Resilience and Recovery

CIC/AC/15/3/4, Information Technology (IT) Resilience and Recovery Internal Audit Report, was received. The review focused on standard IT resilience and recovery controls such as disaster recovery and continuity plans, back-ups, and network resilience controls and resulted in three medium and two low priority recommendations.

5.2. Safeguarding

CIC/AC/15/3/5, Safeguarding Follow Up Internal Audit Report, was received and considered. It was noted that good progress had been made. Seven of the eight recommendations have been implemented, and the one recommendation which is still in progress has been revised from high to low priority in recognition of the controls in place.

Governors asked what would happen if a DBS is not in place when an individual starts, and were advised that a risk assessment would be carried out by the line manager, lodged with Human Resources and reviewed every four weeks until a DBS is received to ensure the risk assessment remains appropriate.

Governors asked if DBS checks can be carried over and were advised that the individual now owns the certificate, and are advised by DBS that for a fee they can join an update service. Governors were surprised that under the revised policy new staff will be asked to pay for their own DBS out of their first salary, and asked whether this could be detrimental to the College, particularly in areas where it is already difficult to recruit. They were advised that about 20% of colleges charge new entrants to an organisation for the DBS, and this number is expected to increase.

The Director of Human Resources was thanked for all the work that had been done in this area.

5.3. Subcontracting

CIC/AC/15/3/6, Subcontracting Internal Audit Report, was received and considered. The review had looked at the letting of sub-contracts, how sub-contractors perform, and compliance with funding rules. Five sub-contractors had been audited the previous year and this review had looked at the remaining sub-contractors. It was reported that the College was in a much stronger position than it was twelve months ago but the audit opinion had been impacted by two high recommendations in relation to a specific subcontractor on a wind down contract. The audit found that the subcontractor had taken on apprentices that were self-employed and not eligible for funding. The funding body has reclaimed the funding from Colchester Institute and the training provider has been asked to repay the College. The training provider would like to take the case to arbitration and the College has contacted the funding body to see if they will agree to this. The majority of the funding that has been reclaimed relates to the previous two years, and the training provider has suggested that had the College been more rigorous in its auditing in previous years the issue would have been identified earlier.

6. Policy Review

CIC/AC/14/3/16, Vetting Checks and Single Central Record Procedure, was received and considered. The Director Human Resources outlined the main changes to the policy.

In line with the statutory guidance Keeping Children Safe in Education, which was updated in 2015, an enhanced DBS check will be carried out for all staff, and a barred list check will only be carried out for those in regulated activity. This will have budget implications and it is proposed that new employees will be asked to pay for their own DBS check.

Checks will be refreshed every five years rather than the current three years, with staff asked to make an annual self-declaration that there has been no change to their circumstances since their last declaration/DBS check. Governors asked if it would be clear what people need to disclose and were advised that the wording that will be used is very specific and any caution,

conviction, reprimand or warning will need to be disclosed. Associated documentation could provide more guidance.

The requirements for non-employers (contractors, agency workers etc) will be the same as for employees, ie an enhanced DBS check and a barred list check where the position or activity is regulated. Governors will also be asked to undertake an Enhanced DBS check.

Although it is not a statutory requirement, it was agreed that a prohibition from teaching check should be introduced.

It was noted that the vetting checks forms included in the appendices need to be reviewed to take account of this policy update and agreed that the Director of Human Resources could review these in consultation with managers to make them more streamlined and easier to use with further reference to the Board.

The Director of Human Resources was asked to review other policies, such as the whistleblowing policy, disciplinary policy (making a false declaration would be regarded as gross misconduct and grounds for summary dismissal) and the recruitment and selection guidelines (prohibition from teaching check) to ensure they support these policy changes

It was AGREED to recommend the Vetting Checks and Single Central Record Procedure to the Board for approval.

7. Internal Audit Tracker

CIC/AC/14/3/7, Internal Audit Tracker, was received and considered. Previously there was no procedure in place for following up internal audit recommendations. The tracker provides a more co-ordinated approach to report back on previous audits. It was pleasing to note that good progress had been made implementing recommendations.

8. Internal Audit Annual Report 2014-15

CIC/AC/15/3/8, Internal Audit Annual Report 2014-15, was received, considered and accepted. It was noted that it was a positive opinion and that the College has adequate governance, risk management and control processes in place. The Committee sought clarification on how the overall opinion had been arrived at in relation to the opinions issued for individual assignment during the year. A lot of recommendations had been made during the year; this reflected the fact that the internal audit programme had been risk based. The responses from the management team also fed into the opinion. There is confidence that when issues are raised they are acted upon. It was reported that the review of safeguarding had been brought forward into 2014-15 at the request of the College Executive, and good progress has been made with all but one of the recommendations now implemented. Almost all support services have now been reviewed and the focus next year will be on curriculum related activities.

9. Annual Report to the Board and Chief Executive 2014-15

CIC/AC/15/3/9, Audit and Compliance Committee Annual Report to the Board and Chief Executive 2014-15, was received, considered and approved for submission to the Board.

10. Regularity Self-Assessment Questionnaire 2014-15

CIC/AC/15/3/10, Regularity Self-Assessment Questionnaire 2014-15, was received and noted. The questionnaire had been scrutinised as part of the external audit and feeds into the assurance statement in the accounts.

11. **Providing external assurance on subcontracting controls**

It was noted that there is a new funding requirement for providers to undergo an additional audit to provide assurance that they are meeting the requirements of funding legislation. The outcome of the audit, which had been carried out by Scrutton Bland the previous week, was received and noted (CIC/AC/15/3/20). Three low risk recommendations were made as a result of the audit.

12. **Value for Money**

The Committee received and considered:

- CIC/AC/15/3/11 Value for Money Paper 2014-15
- CIC/AC/15/3/12 Value for Money Policy

The efficiency savings for 2014-15 were discussed. It was noted that some of the savings, such as on IT services, were a one-off.

13. **Financial Regulations and Associated Procedures**

CIC/AC/15/3/13, summary of changes to the Financial Regulations and Associated Procedures 2014-15, was received and accepted.

14. **Risk Management**

The Committee received and considered

- CIC/AC/15/3/14, Notes from Risk Committee Meeting –4 November 2015, and
- CIC/AC/15/3/15, Corporate Risk Register (updated 19 November 2015)

The focus of the Risk Committee had been on reviewing departmental risks and an analysis of what could be done. The discussions informed the updating of the Corporate Risk Register.

It was noted that the CISCO phone system is now six years old and out of warranty and the College is looking for cost effective ways to replace the system.

The changes to the Corporate Risk Register were considered. The risk of failure or delays or overspend of large capital projects have been increased. The highest risk as the moment is with regard to the planning for developments at Braintree, which will be determined at the end of January. With regard the South Wing, it has been agreed that the College will take access from Monday, 7th December and the building will open for use in the New Year. The highest risk from the Facilities Management departmental register relates to the high voltage infrastructure. A report is being prepared for the College Executive to review, and could led to capital expenditure. There was little disruption to the College as a result of the national strike call by the teachers union over pay.

15. **Reports under the College's Fraud Policy**

It was noted that there had been no reports of suspected fraudulent or irregular acts under the College's Fraud Policy since the last meeting of the Audit and Compliance Committee.

16. Health and Safety

16.1. Minutes of Health and Safety Committee

CIC/AC/15/3/16, minutes of the Health and Safety Committee held on 4 November 2015, was received and considered. The Health and Safety Committee is working through the Codes of Practice that existing with the College and looked at first aid arrangements, managing noise at work, and driving at work at the last meeting. The arrangements for managing Health and Safety are now much better and a member of the Health and Safety Committee accompanies the Health and Safety Manager on audits, providing more rigour to the process.

16.2. Annual Report

CIC/AC/15/3/17, Health and Safety Committee Annual Report 2014-15, was received and considered. It was noted that the College now has a more efficient way of recording accidents. Previously everything was being reported; now the focus is on the actual incidents within the organisation.

17. Date of Next Meeting

Tuesday, 1 March 2016 at 4.30pm

18. Any Other Urgent Business

18.1. John Baugh

The Committee recorded its thanks to John Baugh for his services to this Committee and to the Board during his period as a Governor.

PART II – these minutes are not confidential, but the supporting papers are confidential

19. Part II Minutes

The Part II Minutes of the meeting held on 14th July 2015 (CIC/AC/15/5/19) were received and confirmed. The Chairman signed the minute book.