

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee
held on 5th December 2017
at the Sheepen Road Site*

Present

Kevin Prince, in the Chair
Pamela Donnelly
David Gronland

David Kerridge
Sue Thompson-Arnold

In Attendance

Alison Andreas	Principal and Chief Executive
Gary Horne	Executive Vice Principal: Finance and Corporate Development
Tim O'Connor	Scrutton Bland, Financial Statements Auditor
Hazel Paton	Clerk to the Governors
Dan Harris	Internal Audit Manager, RSM

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 8th June 2017 (CIC/AC/17/3/1) were received and confirmed. The Chair signed the minute book.

3. Matters Arising from the Minutes

3.1. Internal Audit Plan 2017/18

CIC/AC/17/3/2, revised Internal Audit Plan 2017/18, was received and noted. The Plan was approved by the Board at its meeting on 26th July 2017.

4. Report and Financial Statements 31 July 2017

The Committee received and considered:

- CIC/AC/17/3/3, Report and Financial Statements 31 July 2017, and
- CIC/AC/17/3/4, Report to the Audit and Compliance on the Audit of the Financial Statements and Assurance Report on Regularity for the Year Ending 31 July 2017.

It was reported that the Report and Financial Statements had been considered in detail by the Resources Committee the previous week. The Financial Statements Auditor presented the Report to the Audit and Compliance Committee.

It was reported that there had been a significant improvement in the results compared to the previous year. Total comprehensive income for the year was £2.7m compared to a deficit of £8.6 in 2016. After excluding FRS 102 adjustments and other one off items, the College showed an operating surplus for the year of £485k compared to an operating deficit of £801k in the prior year. At the time of the audit planning meeting in March 2017 the College was forecasting an operating surplus of £493k.

The analysis of staff costs as a percentage of total income was noted. It was reported that a lot of colleges are under pressure to control staff costs because of the pressures on income. The College has looked hard at staffing and achieved some significant savings during the year by not filling vacant posts. Further reductions are required in order to reduce staff costs as a percentage of income closer to the sector average. They are budgeted to decrease further in 2017/18 due to a mixture of managing staff costs and growing income. In response to a question it was reported that the accepted band for staff costs in the sector is between 63% and 66% of income.

There was an improvement in the pension scheme liability, although the overall liability is still significant. The assumptions used by the actuary were noted. Increases in the pension interest rate and salary increase rate were offset by an improvement in the return on assets and a lowering of life expectancy from age 65.

The Financial Statements Auditor outlined the areas that had been considered in connection with the going concern assessment made by the Corporation. Two areas where the College has historically found it difficult to achieve its income targets are work based learning and full cost income. Nationally there is a down turn in apprenticeship starts and this income line is under pressure. The College is bucking the national trend and despite achieving its work based learning income budget in Period 3, the YTD position is still below target. Governors asked about the likelihood of the Government putting in extra funding or incentives to encourage a greater uptake of apprenticeships. It was reported that there is a reference in the Industrial Strategy to making apprenticeships more attractive to families. Incentives for low income families might help. Currently families in receipt of benefits will lose the benefits if a child signs up for an apprenticeship. It was reported that in the spring 2017 the College identified 900 levy paying organisations across Greater Essex. Of those, 90 have now signed contracts with the College and discussions are ongoing with many more. The College met both bank loan covenants during the year and based on the 2017/18 forecast will continue to do so in the current year. The Financial Statements Auditors agree with the assessment that the College continues to be a going concern.

A number of audit issues were noted. Judgement on the Lennartz VAT hearing is awaited. A worst case scenario has been assumed in the accounts and the College continues to show the liability on the balance sheet. If a decision is received before the Board approves the accounts, there will likely be a three month period during which an appeal could be lodged so no adjustment will need to be made to the accounts.

All procedural recommendations made in the 2016 report to the Audit Committee had been implemented. The Committee noted the procedural recommendations and management responses in this year's report

Future developments were noted. It was reported that the College has established a working party to ensure Colchester Institute works towards compliance with the new General Data Protection Regulation (GDPR).

The Letter of Recommendation and summary of adjusted and unadjusted items was considered and accepted.

It was AGREED to recommend the Report and Financial Statements to the Board or approval.

The Principal and Executive Vice Principal: Finance and Corporate Development left the meeting.

The Committee met in private with the Auditors.

The Principal and Executive Vice Principal: Finance and Corporate Development re-joined the meeting.

5. **New Internal Audit Reports**

The Internal Auditor presented five new Internal Audit Reports. Four reports related to the 2016/17 internal audit programme. The majority of the field work for these four reviews had been carried out in May 2017, but due to timing the reports were not available for the June meeting of the Audit and Compliance Committee.

5.1. **Sickness and Absence Management**

CIC/AC/17/3/5, Sickness and Absence Management Internal Audit Report, was received and considered. This area has not been reviewed by the Internal Audit Services in the last four years. Two issues impacted on the overall opinion, which was positive. These related to return to work interviews and the policy. It was reported that training on the policy took place over the summer and it is now a mandatory part of the process that return to work meetings take place. Previously it was good practice but was not consistently carried out. There was one medium priority action relating to long term absence and the documentation of communication with the employee.

5.2. **Subcontracting**

CIC/AC/17/3/6, Subcontracting Internal Audit Report, was received and considered. The Committee was reminded that a review of Subcontracting has been carried out as part of the last three internal audit plans. The scope and coverage of this review was similar to that undertaken in previous years and this year the opinion is reasonable assurance.

5.3. **Estates: Planned and Responsive Repairs**

CIC/AC/17/3/7, Estates: Planned and Responsive Repairs Internal Audit Report, was received and considered. This area had not previously been audited and no significant weaknesses were identified. Five areas for improvement were agreed. There was one medium priority recommendation related to the documentation of the policy/procedure in relation to the maintenance of College property. The audit found that a good control framework was operating but was not documented.

5.4. **Governance**

CIC/AC/17/3/8, Governance Internal Audit Report, was received and considered. This was the first review under the 2017/18 internal audit plan. The audit found that there was a robust control framework in place. One action was agreed relating to the training needs of Governors.

5.5. **Marketing – Response to Apprenticeship Levy**

CIC/AC/16/3/9, Marketing - Response to Apprenticeship Levy Internal Audit Report, was received and considered. This audit was initially described in the internal audit strategy as a follow up to a review carried out in 2015-16, but the scope was subsequently widened. The audit was carried out in April 2017, with the debrief meeting at the end of May, and things have moved on since the audit. A lot of work had been undertaken at the time of the audit, and the purpose of the review was to identify any further work that was required. It was felt that the marketing strategy and apprenticeship action plan were not as aligned as they could have been, some key risks had not been identified, and key performance indicators had not been established.

6. **Follow up on Internal Audit Reports**

CIC/AC/17/3/10, Internal Audit recommendation tracker, was received and noted.

7. **Internal Audit Progress Report**

CIC/AC/17/3/11 Internal Audit Progress Report, was received. It was noted that there had been no changes to the proposed areas of coverage approved by the Board but there were suggested changes to the timing of some audits.

8. Internal Audit Annual Report – Year ended 31 July 2017

CIC/AC/17/3/12, Annual Internal Audit Report - year ended 31 July 2017, was received and presented by the Internal Auditor. The opinion, which is used by the Committee in the annual report to the Board, was positive. It was reported that 80%-85% of FE colleges receive this opinion.

9. Audit and Compliance Committee Annual Report

CIC/AC/17/3/13, Audit and Compliance Committee Annual Report to the Board and Principal and Chief Executive 2016-17, was received, considered and accepted for submission to the Board.

10. Regularity Audit Self-Assessment Questionnaire 2016-17

CIC/AC/17/3/14, Regularity Audit Self-Assessment Questionnaire 2016-17, was received, considered and approved. The document formed the basis of the regularity review.

11. Value for Money Paper 2016-17

CIC/AC/17/3/15, Value for Money Paper 2016-17, was received and presented by the Executive Vice Principal: Finance and Corporate Development. It was reported that although no longer a requirement of the ESFA, the College continues to use the Efficiency Measurement Module for Further Education and staff are asked to return information on savings achieved. The target of £650k savings during the year was exceeded. The Committee asked for future reports to include the percentage saving against budget rather than actual savings. The curriculum efficiencies driven by the work of the Vice Principal: Curriculum, which were crucial in achieving the year-end outturn surplus, were noted. Back office efficiencies are included in the strategic plan for next year.

12. Financial Regulations and Associated Procedures 2016-17

CIC/AC/17/3/16, summary of changes to the Financial Regulations and Associated Procedures, was received and noted. The most significant change was an increase in the rate per mile for mileage claims reflecting current fuel prices.

13. Risk Management

13.1. Notes from Risk Committee Meeting

CIC/AC/17/3/17, notes from the Risk Committee meeting held on 17th November 2017, was received and considered. The Risk Committee had considered 18 departmental risk registers (86% response rate). In response to concerns around a reduction in staffing the Executive Director: Human Resources was asked to review that particular risk on the Corporate Risk Register and update the controls and actions. Other concerns were around income lines (apprentices and full cost) and marketing in relation to HE recruitment for 2018-19.

13.2. Corporate Risk Register

CIC/AC/17/3/18, Corporate Risk Register (CRR) (updated 28 November 2018), was received and considered. A new strategic risk relating to HE provision has been added in response to the decision by the University of Essex to bring the current collaboration agreement to an end in two years time. There is a lot of work to do looking at different options. The risk register will be updated again prior to its submission to the Corporation Board.

The College continues to monitor apprenticeship income and look at HE applications for 2018-19. IT systems has moved down the risk register following the introduction of new controls around security and updated password complexity.

13.3. **Current Risk Issues**

This item was covered under review of Corporate Risk Register.

14. **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.

15. **Health and Safety**

15.1. **Minutes of Health and Safety Committee**

CIC/AC/17/3/19, Minutes of the Health and Safety Committee held on 17th November 2017, was received and noted. The Committee had reviewed accident statistics and had asked for more information on categorisation to help determine trends.

Some concerns arounds first aiders were discussed. It was reported that in some cases first aiders have been contacted and have responded that they are too busy or unable to assist. This is being investigated by the Health and Safety Manager. Staff receive an allowance for being a first aider and should be available.

There has been a rise in the number of security issues dealt with by the College. This has involved additional cost associated with bringing in more mobile security patrols. The decision has also been taken to close some of the gates on the Sheepen Road campus after 7.00pm to restrict access.

A lock down policy has been developed and is ready to be launched. Key individuals have been identified and are to be trained in the software which will allow the College to put a message across all PCs in the organisation that there is a lock down situation and the procedures that will apply.

15.2. **Health and Safety Committee Annual Report 2015-16**

CIC/AC/17/3/20, Health and Safety Committee Annual Report 2016-17, was received and noted. There were four significant near misses during the year. The College was unable to replicate an incident in the Motor Vehicle Workshop in Braintree where a vehicle lift dropped down. This was clearly due to user error. A new Code of Practice has been put in place and checks undertaken on vehicle lifts on both campuses. New training information has been published following an incident involving a lathe earlier in the year.

This is the second year of in-house PAT testing and the College is seeing a reduction in the number of failed items.

There is one outstanding item from the internal audit of Health and Safety, relating to the standardisation of risk assessments. This is a huge task, given the number of risk assessment within the organisation, but good progress has been made.

16. **General Data Protection Regulation (GDPR)**

The Executive Vice Principal: Finance and Corporate Development updated the Committee on progress towards compliance with the new Regulation from May 2018. The College is working through an action plan and good progress has been made. Awareness raising activity to give staff an overview of what GDPR means has started and an online training package which every member of staff will need to undertake is currently being finalised. The package is being tailored to the College and scenarios that may be encountered by teaching and business support staff are being developed. An Information Asset Register has been developed and 315 different data flows into and around the organisation have been identified. An analysis of where the most sensitive data flows are has also been undertaken. A consultant is working with key individuals to look at the information asset register and data impact assessments will be undertaken for all sensitive data flows. Privacy notices and consent information still needs to be updated. CI Business Solutions is about to offer professional courses on this subject.

17. **Date of Next Meeting**

Wednesday, 28th February 2018 at 4.30pm. .

18. **Any Other Urgent Business**

It was agreed to reflect at the Board meeting on 13th December the considerable effort of staff that went into improving the financial performance of the College and turning a £800k operating deficit in 2015-16 into a surplus within one year.