Colchester Institute Corporation

Minutes of a Meeting of the Audit and Compliance Committee
held on 8th June 2017
at the Sheepen Road Site

Present

Kevin Prince, in the Chair	David Gronland
Pamela Donnelly	Peter Hempstead

In Attendance

Alison Andreas	Principal and Chief Executive
Gary Horne	Executive Vice Principal: Finance and Corporate Development
Shaun McConnell	Executive Director: Human Resources
Tim O'Connor	Scrutton Bland, Financial Statements Auditor
Anna O'Keeffe	Internal Audit Manager, RSM
Hazel Paton	Clerk to the Governors

Apologies for absence were received from Sue Thompson-Arnold.

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

   None.

2. **Minutes**

   The Minutes of the meeting held on 14th March 2017 (CIC/AC/17/2/1) were received and confirmed. The Chair signed the minute book.

3. **Matters Arising from the Minutes**

3.1. **Application Numbers and Conversion Data**

   The Chair asked for an update on application and conversion data. It was reported that applications for FE programmes for September 2017 were at about the same level as the same time last year and every effort is being put into making sure that as many applications as possible are converted to enrolments. Welcome day activities are planned again for this year and the College is looking at the actions it can take during induction to ensure that more students who enrol stay on programme. The College is confident it will do as well in September as last year.

3.2. **Internal Audit Tracker – IT Resilience and Recovery**

   The Committee asked for an update on the outstanding recommendations. It was reported that the IT Services Manager has now left the College and that the Executive Vice Principal: Finance and Corporate Development is currently overseeing the IT Team.   Of the four actions that were outstanding, one was now complete and the other three are underway, although the recommendation relating to disaster recovery processes may be superseded by a new approach to IT that is being considered. It was reported that representatives from JISC (specialist provider of IT services to the education sector) and their recommended partners would be running a three hour workshop for College staff the following day, to help steer a new strategy. The workshop will look at the IT infrastructure (for example is the College making the best use of the cloud), security, business continuity and disaster recovery, and also look at VLE, the Moodle system currently used for HE and what the College might do to move FE services on line. A FELTAG report published three years ago

suggested that 10% of FE delivery should be on line, reducing teaching time. It is possible that after the meeting the College will move from the traditional services it offers with its own servers at Colchester and Braintree to a more hybrid model with some servers on site and utilising the benefits of the cloud. The College will draw on the expertise available to consider the best way forward to offset the current risks around IT security and to drive down the costs of IT.

In response to a question it was confirmed that the College makes daily backups of its systems. The College is using its preparations for the introduction of the GDPR (General Data Protection Regulations) in May 2018 to look at what data it holds, for how long, and the controls around that information. The College currently holds eight terabytes of data and is looking to reduce that by half over the next year. As an example, the data on the College's Outlook system is to be purged on a phased basis over the next three months. By 6th August all items older than three years will have been removed from the system. Staff have been alerted that important information needs to be moved from Outlook to a central directory.

4.   **Audit Planning Letter for the year ended 31 July 2017**

CIC/17/2/2, Report to the Audit Committee on the audit of the financial statements and assurance report on regularity for the year ending 31 July 2017, was received and considered.

The Financial Statements Auditor outlined the scope of the audit, the audit issues and approach, and the key audit areas (risk analysis). It was reported that the scope of the Teachers' Pension Agency return has changed and that the proposed fees reflected the increase in the amount of work that would be required. The auditors are now required to provide an independent assurance report directly to the Teachers' Pension Agency.

Members' attention was drawn to the ongoing case regarding the Lennartz VAT arrangement. Payments have not been made under the Lennartz arrangement for the last two years and currently these payments appearing in the creditors. The case is due to be heard in the first tier tribunal between 24-27 July 2017 and a decision on whether to reverse that credit will be taken once the outcome is known. If the College loses the case the amount unpaid (plus accrued interest) will have to be repaid on demand. In response to a question it was confirmed that the consultant advising the College is working on a 'no win, no fee' basis. Both the consultant and barrister representing the College are of the view that the College will win on the first argument but could lose on an alternative argument.

The proposed fees were discussed.   Fees had been held at the same level since the 2012 year end, but an increase was proposed for the year ending 31 July 2017. The Financial Statements Auditor reported that if the fees were accepted, a guarantee would be provided that the fees would be frozen again in 2018. The Committee accepted the audit planning letter and approved the proposed fees.

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

5.1.   **Follow Up Report**

CIC/AC/17/2/3, Internal Audit Follow up report: 3.16/17, was received and presented by the Internal Audit Manager. The Committee noted that overall conclusion that the College had made reasonable progress in implementing agreed management actions. Sixty percent of all management actions had been fully implemented; one high and one medium priority action were in progress, and two medium and two low priority actions were outstanding. The high priority recommendation related to risk assessments, which had been discussed in detail at the last meeting. The Executive Vice Principal: Finance and Corporate Services reported that the progress against the risk assessment action had been discussed at a College Management Group meeting earlier that day and the Directors of Faculty

were working in partnership with the Health and Safety Manager to bring risk assessments into a standard format. All the risk assessments in Construction and Engineering are now standardised.

5.2. Internal Audit Tracker

CIC/AC/17/2/4, Internal Audit Tracker, was received and the progress that had been made noted.

6. New Internal Audit Report

6.1. Safeguarding: Staff and Students

CIC/AC/17/2/5, Safeguarding: Staff and Students Internal Audit Report: 4.16/17, was received and presented by the Internal Audit Manager. It was noted that the audit opinion was one of substantial assurance and that one low priority action had been agreed. Arising from the discussion it was noted that a number of colleges were receiving Ofsted Grade 4 on the basis of poor safeguarding practices. A Member commented that the findings were impressive compared to their knowledge of a range of safeguarding compliance statistics in the public sector.

6.2. Key Financial Controls – General Ledger and Procurement

CIC/AC/17/2/6, Key Financial Controls – General Ledger and Procurement Internal Audit Report: 5.16/17, was received and presented by the Internal Audit Manager. General ledger received a substantial assurance opinion and three low priority actions had been agreed. Procurement received a reasonable assurance opinion and three medium and four low priority actions were agreed. It was noted that the Procurement Manager (who has since left the College) had a lot of knowledge but that this had not be written down. It was reported that the College has struggled to recruit to this vacancy and that the job has been reshaped into a procurement and contracts role reporting directly to the Executive Vice Principal: Finance and Corporate Development, rather than the Financial Controller, in the hope that a more strategic job description will attract suitable applicants. The Finance Team has procurement resource to carry out the day to day work; the College is looking to appoint someone in a more strategic role. There is also the potential to use the apprenticeship levy to put a suitable candidate on a Chartered Institute of Procurement and Supply (CIPS) or management apprenticeship.

7. Internal Audit Progress Report

CIC/AC/17/2/7, Internal Audit Progress Report, was received and noted. It was reported that the Marketing Follow Up report had been issued in draft the previous week, and the Sickness and Absence Management report was expected to be issued the following week. The IT Strategy audit had been delayed until 2017-18 in view of the changes reported earlier in the meeting. A Subcontracting audit was due to start the following day.

8. Internal Audit Plan

CIC/AC/17/2/8, Internal Audit Strategy 2017-18, was received and considered. The Committee noted that a number of the proposed audit areas had been subjected to substantive audits previously (such as Safeguarding, Risk Management, Governance and Strategic Planning) and Members discussed the level of assurance they required in order to make their conclusions in the year end accounts. The Committee was of the view that the proposed strategy (70 internal audit days) was excessive. The Principal reported that the College Executive had expressed similar views and that 70 internal audit days appears high compared to the available benchmark data for the rest of the sector. The Committee was mindful that the College had made good progress over the last four years to address the concerns arising from the audits and that more audits were receiving positive (green or amber/green) audit opinions than two years ago. After a wide ranging discussion the Principal was asked to review the Internal Audit Strategy with the Internal Auditors with a view to reducing the number of audit days and bring forward a revised strategy for approval at the July Board meeting. It

was agreed that the Committee Chair would approve the revised Internal Audit Strategy for recommendation to the Board on behalf of the Committee.

9. **Risk Management**

9.1. **Notes from Risk Committee**

CIC/AC/17/2/9, Actions arising from the Risk Management Committee meeting held on 26th May 2017, was received and noted. In the wake of the recent terrorist attack in London and the international cyber-attack, discussion had been dominated by Prevent and safeguarding and IT security. The Corporate Risk Register had been reviewed by the College Executive the day before the Risk Committee meeting, and a number of Task and Finish actions added for these two risks which had been further reviewed by the Risk Committee.

9.2. **Corporate Risk Register**

CIC/AC/17/2/10, Corporate Risk Register (CRR), was received and considered. It was reported that the CRR is reviewed monthly by the College Executive. The two highest risks were around income and a potential reduction in HE income. Last year the College experienced a high number of withdrawals by HE students during periods 11 and 12, resulting in a £85k reduction in income in the last two months of the year. The College has allowed for a similar reduction in this year's forecast and is doing all it can to monitor those students at risk of withdrawing.

Apprenticeship income is still an area of concern in terms of the number of starts forecast in the recovery plan and the numbers coming through the system. It was anticipated that numbers would increase following the implementation of the apprenticeship levy from 1st May, but this has not happened. The College was hoping to take on 50 new starts per month to take enrolments to 750/800 by the end of this academic year but will probably end the year at around last year's total of 650 starts. This has been taken into account in the monthly forecasts. Employers appear to be holding off until the money appears in their digital accounts. The College has promises of good levels of activity from September onwards. The bureaucracy is also an issue. Of the 88 levy contracts that have been sent out to employers only about 16 have been returned. Once the contract is returned, the applicant has to go through a skills scan process with the manager to ensure that they meet the apprenticeship standard requirements. This is having an impact on progress.

A new risk, cyber-attack, has been added to the CRR and ten mitigating actions identified, eight of which have been implemented. It was noted that good progress has been made against tightening up IT security.

The Chair commented that the Risk Register had now developed into an extremely useful document with a lot of information. One of the recommendations from the recent risk audit is that the CRR now contains too much information and one of the challenges is to slim it down and reduce the number of risks (currently 27). Where the risk is low, some risks will be moved into the deferred risk category.

9.3. **Current Risk Issues**

It was noted that current risks include IT security, Prevent, and income risks, as discussed earlier in the meeting.

10. **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.

11. **Health and Safety Committee**

CIC/AC/17/2/11, Minutes of the Health and Safety Committee meeting held on 21st April 2017, was received and considered. The Committee had focussed on risk assessments and the work that was being done to bring them into a standardised format.

It was noted that the College was working on a lock down strategy, assisted by a security specialist. It is recommended that the College uses the fire alarm system but there are technical issues around changing the alarm to an intermittent bell. Members asked if there were any plans for a rehearsal once the strategy is in place and the challenges that would be entailed in co-ordinating a rehearsal and getting students to take it seriously were discussed. In response to a question it was confirmed that the College had received advice from the Police. Various recommendations are coming through, including securing a more direct relationship with the Police.

12. **Policy Review**

The Committee received and considered:

- CIC/AC/17/2/12, Executive Summary of Policy Changes 2017
- CIC/AC/17/2/13, Sickness Absence Policy
- CIC/AC/17/2/14, Staff Disciplinary Policy
- CIC/AC/17/2/15, Staff Code of Conduct Policy
- CIC/AC/17/2/16, Capability Policy for Staff

The Sickness Absence Policy was discussed. Members asked:

- If the self -certification form included the reason for absence and whether there were data protection issues in respect of holding sensitive personal data. Some examples were discussed. The Executive Director: Human Resources reported that the reasons for absence can be quite generic.
- How 100% compliance with the requirement to complete the self-certification form and return to HR within seven working days would be guaranteed. It was reported that HR staff would carry out checks against the system and follow up non-returns. Compliance could also be included on the monthly management dashboard reports.
- About the change to the Occupational Sick Pay entitlement reference period from 12 to 24 months. It was confirmed that this is a policy change and is not contractual. Meaningful consultation has been held with the Unions and whilst they have not agreed to it they have accepted that the College is going to proceed with this policy change, which is driven by financial considerations. The underlying benefit of six months full pay and six months half pay for staff with at least five years' service is not changing but staff will move to half pay or no pay more quickly if sickness is spread across two years.
- About the introduction of a Bradford Factor score of 500 as a trigger to consider target setting on attendance and how this compared to available benchmark data. It was reported that a score of 500 is higher than normal for organisations using Bradford Factor where a score of 100 can warrant intervention. It was acknowledged that this will cause some unrest amongst staff, but it is important that staff without any sickness absence who are impacted by the intermittent absence of colleagues, see that the College is taking action and has a consistent approach. Consideration and reasonable adjustments will be made for staff with disabilities/underlying chronic conditions.
- About training for managers responsible for implementing the policies. It was confirmed that training would be included in the summer staff development programme and ongoing. There is a management resource area on the Portal with guidance for managers, which will be updated with guidance on these policies, such as frequently asked questions.

Members questioned the change in the appeal submission timeframe in the Disciplinary Policy from 10 working days to 10 calendar days. This change recognises that communications are now sent out electronically rather than by post, and that there are statutory safeguards, such as the right to postpone a meeting by up to five days.

The Committee agreed to recommend the Sickness Absence Policy, Staff Disciplinary Policy, Staff Code of Conduct Policy and Capability Policy for Staff to the Board for approval.

13. **Post-16 Audit Code of Practice**

CIC/AC/17/2/17, Post-16 Audit Code of Practice, was received and noted. The Code of Practice is a useful reminder of the Board responsibilities and will be added to the Governors handbook area on the Portal.

14. **Date of Next Meeting**

The next meeting is currently scheduled for Wednesday, 29th November 2017 at 4.30pm.

15. **Any Other Urgent Business**

The Chair thanked Peter Hempstead, who would be retiring at the end of the academic year, for his contribution to the work of the Audit and Compliance Committee.