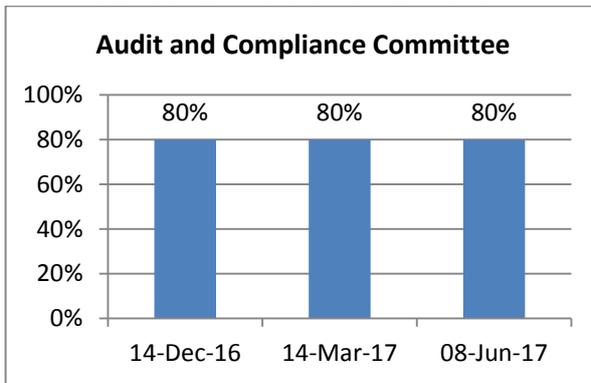
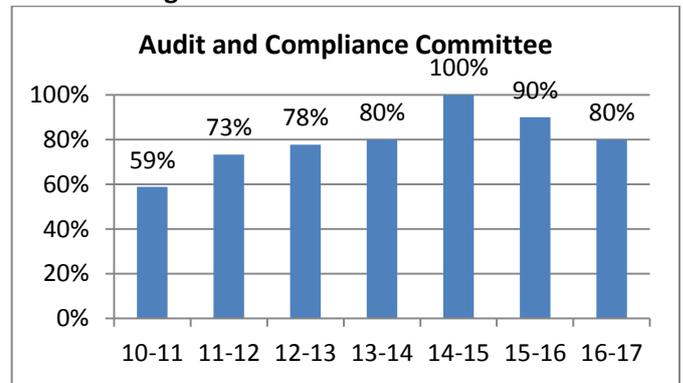


Attendance - Academic Year 2016-17



Average Attendance 2010-11 to 2016-17



Note: The Search and Constitution Committee (25/11/11) agreed a Target of 70% attendance at Board and Committee meetings.

7. Terms of Reference

The Committee's terms of reference were reviewed and revised by the Board in July 2013 and came into effect 1 August 2013. The terms of reference meet the minimum requirements of Post-16 Audit Code of Practice.

The Committee has an annual cycle of work based on its terms of reference and is satisfied that it has fulfilled its responsibilities during the year under review.

8. Internal Audit

8.1. Service Provider

The Internal Audit Service was provided by RSM, who were initially appointed for three years from 1 November 2013. Following an internal audit procurement exercise in July 2016, RSM were reappointed with an initial contract for a period of 3 years (36 months) with effect from 31st October 2016 with the option for the College to extend the contract for a further period of 1 year (12 months) and final year (12 months) subject to satisfactory performance. The work of the Internal Audit service is reviewed annually in the spring term against a range of performance indicators approved by the Board. The management continue to be pleased with the service and the added value that the internal auditors offer which is helping to drive the College forward

8.2. Internal Audit Reports

During the period under review, the Committee received the following new Internal Audit Reports:

| Meeting | Report | Implementation Status |
|----------|---|------------------------|
| 04/12/16 | Marketing (3.15/16) | Implemented |
| 04/12/16 | Subcontracting (8.15/16) | Implemented |
| 04/12/16 | HE Quality of Provision (9.15/16) | Implemented |
| 14/03/17 | Risk Management (1.16/17) | Implemented |
| 14/03/17 | FE Curriculum Planning (2.16/17) | Implementation ongoing |
| 08/06/17 | Safeguarding – Staff and Students (4.16/17) | Implemented |
| 08/06/16 | Key Financial Controls – General Ledger and Procurement (5.16/17) | Implementation ongoing |

The Committee monitors the implementation status of agreed management actions through an internal audit tracking report which is updated for each Committee meeting. In addition, the Internal Audit Plan includes a review to follow up progress made by the College to implement the previously agreed management actions. As part of the follow up review, the Auditors seek to verify the information reported to the Audit Committee via the internal action tracking process.

The Committee continued to monitor implementation of the following Internal Audit Reports from prior internal audit plan years:

| Issue Date | Report | Implementation Status |
|------------|--------------------------------------|------------------------|
| 26/06/15 | Health and Safety (4.14/15) | Implementation ongoing |
| 25/09/15 | IT Resilience and Recovery (8.14/15) | Implementation ongoing |
| 07/06/16 | Payroll (4.15/16) | Implemented |
| 14/06/16 | Learner Number Systems (6.15/16) | Implemented |
| 07/06/17 | Appraisals (5.15/16) | Implemented |

The Committee is of the view that staff underestimate the amount of work involved in implementing management actions and as a result agree to unrealistic timeframes in which to complete actions, leading to slippage. Further work is required in the area.

8.3. Internal Audit Strategy and Annual Plan

An Internal Audit Plan 2016/17 and Internal Audit Strategy 2016/17 - 2018/19, was agreed by the Committee in December 2016 and approved by the Board. The internal audit plan was based on an analysis of the College's corporate objectives, risk profile and assurance framework as well as other factors affecting the College in the year ahead including changes within the sector.

Internal Audit Plan 2016/17

The following changes to the Internal Audit Plan 2016/17 were agreed:

| Audit Area | Reason for change |
|---|--|
| Sickness and absence management | Moved from Q2 to Q4 – a later audit would provide assurance that updates to the Sickness Policy were being implemented |
| Learner withdrawal process – HE and Apprenticeships | Moved to later in the year as it fitted better with the process being audit. |
| Risk Management | Brought forward to compensate for the other delayed reviews |
| IT Strategy | Delayed until 2017/18 due to a change in key personnel |

Internal Audit Plan 2017/18

The Committee is of the view that the College has made good progress over the last four years to address actions arising from internal audits and more audits are receiving positive audit opinions than two years ago. It was therefore felt that the scope of the internal audit plan 2017/18 could be reduced from proposed 70 internal audit days in the internal audit strategy and still provide the Committee with the level of assurance required in order to monitor the College's risk profile effectively. The revised strategy, which is more in line with the available benchmark data for the sector, was approved by the Board in July 2017.

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

The Committee has reviewed and accepted the Internal Audit Annual Report for the year ended 31 July 2017. For the 12 months ended 31 July 2017, the head of internal audit opinion for Colchester Institute is as follows:

“The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further improvements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

9. External Audit

9.1. Service Provider

The appointment of the External 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 External Auditors had achieved all the performance indicators and Scrutton Bland was re-appointed to provide the audit of the Financial Statements and Assurance Report on Regularity for the Year Ended 31 July 2017. An additional audit of the College's subcontracting systems and controls 2016/17 was also undertaken.

This is the sixth year that Tim O'Connor has acted as the lead partner. Mark Smith continued as Audit Manager.

9.2. Report and Financial Statements 31 July 2017

The Committee reviewed and accepted the Audit Planning Letter and Financial Statements Auditor's report and recommend the Report and Financial Statements 31 July 2017 to the Board. The Financial Statements Auditors have given the Committee the following opinions for the year ending 31/7/16:

"Opinion on financial statements

In our opinion the financial statements:

- *Give a true and fair view of the state of the Group and the Institute's affairs as at 31 July 2017 and of its surplus of income over expenditure for the year then ended;*
- *Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education*

Matters on which the auditors are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- *proper accounting records have not been kept; or*
- *the financial statements are not in agreement with the accounting records and returns; or*
- *all the information and explanations required for the audit were not received; or*
- *conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 The Auditor's Responsibilities Relating to Other Information."*

9.3. Assurance Report on Regularity

The assurance report on regularity was completed at the same time as the planning for the Financial Statements audit. The Committee has reviewed and approved the self-assessment questionnaire completed by the College in preparation for this engagement.

The Reporting Accountants conclusion on the assurance report on regularity, which is a limited assurance engagement, is:

"In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them."

9.4. **Risk and Assurance Report on Subcontracting**

As a lead provider subcontracting more than £100k provision during an academic year, the College is required to obtain a report from an independent auditor to provide assurance on the arrangements in place to manage and control its subcontractors. This requirement forms part of the Funding Agreement between the College and SFA. The Committee reviewed the Risk and Assurance report on Subcontracting 2016/17 which provided the following opinion:

“Governance, risk management and control arrangements provide strong assurance that the material risks reviewed are managed effectively.”

One weakness was identified, related to ensuring the contracts in place between the College and each subcontractor contain all the mandatory clauses set out by the Skills Funding Agency (SFA). One low risk recommendation from the previous audit was reinstated and implemented following the audit.

10. **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, which meets three times a year to review departmental risk logs and update the Corporate Risk Register as appropriate. The Audit and Compliance Committee reviews the minutes of the Risk Committee, the Corporate Risk Register and, when updates occur, the Business Continuity Plan. Current risk issues is a standing agenda item for Committee meetings. A significant new risk added during 2016/17 was the risk of a cyber-attack, and good progress has been made tightening up IT security.

An advisory review of Risk Management was carried out as part of the Internal Audit Plan 2016/17. The review found that considerable progress had been made since the previous audit of this area. Additional areas for improvement were identified and implemented in relation to the Corporate Risk Register (format, controls and assurances) and the risk scoring (some inconsistencies were found in the RAG rating). Each risk is now assigned to a member of the College Executive who is responsible for monitoring the progress and effectiveness of the controls and assurances and for updating the task and finish actions.

The Risk Management Policy and Procedure was reviewed and approved for recommendation to the Board.

11. **Other Items of Business**

11.1. **Fraud Policy**

Reports of suspected fraudulent or irregular acts is a standing agenda item for all meetings of the Committee. There were no reports of suspected fraudulent or irregular acts under the College’s Fraud Policy during 2016-17.

11.2. **Financial Regulations**

The Committee approved for recommendation to the Board revisions to the Financial Regulations and Associated Procedures for 2016-17. The most significant change was a reduction in the rate per mile for mileage claims. This will be reviewed if the pump prices move by 20 pence.

11.3. **Value for Money**

The Corporation has a responsibility (through its Articles of Government) to achieve value for money from all its activities, however they may be funded. The College is committed to the pursuit of economy, efficiency and effectiveness, and seeks to adopt good practice and incorporate VFM principles in all its activities. The College has a Value for Money Policy, based on the following Policy Statement:

“Colchester Institute is committed to striving to achieve value for money in all its activities. Value for money must be sought by all staff, in all areas of the College whilst engaged on College business, however that business or activity is funded. In accordance with the core values of the Corporation, the Value for Money Policy will comply with basic principles of ethics, legality, prudence, equality, safety, timelines, fairness, transparency and simplicity”

The Committee receives an annual report on the work of the College in pursuit of these aims covering general activities and a summary of recorded savings delivered during the year.

11.4. Health and Safety

The Committee is responsible for monitoring and reporting to the Board on the implementation of the College’s Health and Safety Policy. It does this through consideration of the health and safety annual report and the minutes of the College’s Health and Safety Committee, which meets termly and looks at: Security reports, Union items, H&S Audits, Accident Statistics, H&S Policy Updates; Codes of Practice Review; PAT testing progress against plan; Fire Evacuation Reports; and Wellbeing Group Update. The Health and Safety Policy was reviewed and approved for recommendation to the Board.

11.5. Equality and Diversity

The Committee is responsible for monitoring and reporting to the Board on the implementation of the College’s Policy on Equality and Diversity (E&D). It receives an annual report on equality and diversity which sets out the main monitoring data gathered by the College in response to the Public Sector Equality Duty. All data for staff and learners is analysed by Gender, Age, Ethnicity, Disability and Learning Difficulty. Data is not routinely gathered by the other Protected Characteristics, however the Equality and Diversity Policy explicitly refers to the College’s commitment to ensuring “... all actual or potential learners and employees are treated in an equivalent fashion, regardless of: age, disability, family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, and any other irrelevant criteria.” The College made good progress towards all Equality Objectives 2012-2016.

11.6. Policy Review

The following policies were reviewed for recommendation to the Board:

- Maternity Leave Policy (updated to include clarity on the handling of Childcare Vouchers and update to statutory payment tables)
- Leave Policies and Procedures (updated wording for Time Off in Lieu)
- Sickness Absence Policy
- Staff Disciplinary Policy
- Staff Code of Conduct Policy
- Capability Policy for Staff

12. Conclusions and Recommendations

The Audit and Compliance Committee is of the opinion that:

- 12.1. Colchester Institute has adequate and effective assurance arrangements and framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the College and the safeguarding of its assets.
- 12.2. the Corporation Board’s responsibilities, included in the financial statements, have been satisfactorily discharged.

Kevin Prince
Chair, Audit and Compliance Committee
November 2017