

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee
held on 6th June 2018
at the Sheepen Road Site*

Present

Kevin Prince, in the Chair
Pamela Donnelly

David Gronland
Sue Thompson-Arnold

In Attendance

Alison Andreas	Principal and Chief Executive
Daniel Harris	Head of Internal Audit, RSM
Gary Horne	Executive Vice Principal: Finance and Corporate Development
Hazel Paton	Clerk to the Governors
Mark Smith	Scrutton Bland, External Auditor

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 18th April 2018 (CIC/AC/18/2/1) were received and confirmed. The Chairman signed the minute book.

3. Matters Arising from the Minutes

3.1. Lennartz VAT Appeal

In response to a question it was reported that there was still no decision in the Lennartz VAT claim. It is ten months since the tribunal hearing, and the Tribunal Supervisor has confirmed that there are no undue concerns and that a decision is imminent. The College was aware that the verdict could be delayed where decisions in other cases which may have a bearing on the case were still to be confirmed, such as appeals that have gone to the European Court. It was reported that a decision in the Wakefield VAT case, which ruled in favour of HMRC, was announced in the last few weeks. The Wakefield case related the zero rating of new buildings, and the ruling is helpful in terms of the Lennartz claim, giving the College more grounds to be optimistic of a positive outcome.

3.2. Preferred Supplier List

It was reported at the last meeting that the College was aiming to have a preferred supplier list in place by the end of May, and Members asked if this had been achieved. It was reported that this had not been progressed because the procurement manager position was vacant. Despite advertising for the role on four occasions the College has been unable to make an appointment and is now moving forward with an outsourcing agreement through Crescent Procurement Consortium (owned by the FE sector) to engage a procurement manager two days a weeks, who will have a role in taking this forward. The College will also be offering a procurement apprenticeship through CI Business Solutions (CIBS). The Executive Vice Principal: Finance and Corporate Development was asked to keep the Chair of the Committee updated on progress.

3.3. General Data Protection Regulation (GDPR)

The Committee asked for an update on the College's preparedness for the GDPR which came into force on 25th May. It was reported that a GDPR readiness audit had been carried out by RSM; the report had been reviewed and signed off by the technical risk specialist and should be issued within

the next few days. The Internal Auditor reported that because of the methods employed by the College to prepare for GDPR, the number of issues identified was low compared to the FE sector and RSM's wider client base. There were a number of low level recommendations in terms of work to update policies etc. The Committee congratulated the Executive Vice Principal: Finance and Corporate Development, who had taken the lead in the College's preparations, on a successful outcome. The Executive Vice Principal reported that he would be giving a presentation the following day to members of the College Management Group and GDPR compliance group, updating them on GDPR issues.

4. **Audit Planning Letter**

CIC/AC/18/2/2, Audit Planning Letter for the year ended 31 July 2018, was received and presented by the External Auditor. It was reported that the scope of the audit work in terms of the financial statements opinion and regularity will be the same as in previous years. The February Management Report was discussed at the Audit Planning meeting and the College is forecasting much improved results compared to last year. The full year forecast income is only £50k lower than budgeted and significant savings have been achieved on expenditure lines, particularly in employment costs.

The external auditor reported on a number of audit considerations:

- A decision on the Lennartz liability will be taken at the end of July, but it is likely that it will continue to be the case that the College will account on a worst case scenario and accrue the liability.
- In respect of the three Brockenhurst repayment claims, there is more confidence that payment will be received.
- Cash flow going forward is stronger than in a number of years, and a short term facility is available should the College need it next year during the April cash pinch point.
- The College changed its accounting software during the year. Although the move from QL appears to have gone smoothly, this will be tested as part of the audit work.
- Prior to being presented to the December meeting of the Board the audit report will be shared with management to confirm the facts identified.

The key audit areas were noted. It was reported that the pension disclosure valuation was likely to be more positive than in previous years because the markets have performed well, although life expectancy rates, which were reduced last year, have increased again. The Executive Vice Principal: Finance and Corporate Development reported that the Essex Pension Fund will produce a standard report based on their standard estimates and variables including inflation and salary rates. For the last two years the College has paid to have a report based on bespoke assumptions (salary rates and CPI rather than RPI) and has the opportunity to pay £350 for a bespoke report again this year. After discussion, it was agreed to defer a decision until the standard report is received. The Executive Vice Principal was authorised to take the final decision on whether to request a bespoke report.

The Committee questioned the inclusion of management override as a key area of focus for the audit. The external auditor reported that they have never found anything to suggest that this occurs at Colchester Institute, but that it is becoming an issue in HE, and instances of management override that have resulted in fraudulent activity have been identified elsewhere.

It was reported that this will be the seventh year that Tim O'Connor has acted as Audit Partner. Under earlier versions of the Audit Code of Practice the Audit Partner was required to rotate every seven years, but this is no longer a requirement of the Audit Code of Practice. The external auditors own internal regulations and the HE Audit Code of Practice state that the Audit Partner should normally change after ten year. The Executive Vice Principal has discussed this with the Committee Chair and recommends that Tim O'Connor continues as the Audit Partner until he has completed ten years. This was approved by the Committee.

The audit timetable and audit team were noted. The fee proposal was discussed and the Committee reluctantly agreed the increase in the fees for 2018.

5. **New Internal Audit Reports**

CIC/AC/18/2/3, Key Financial Controls - Cash, Banking and Accounts Payable Internal Audit Report, was received and presented by the Internal Auditor. It was reported that five actions had been agreed, three of which were carried forward from last year's Key Financial Controls report. The actions carried forward related to an approved supplier list (discussed earlier in the meeting); the retention of evidence on files around new suppliers; and fully completing supplier change forms. These are low level risk areas. The College has a robust control framework and checks are being carried out, but they are not being fully documented and evidenced on the form. The other two actions related to cash and banking, and were around formally documenting procedures.

It was reported that two further audits were due to be undertaken during June and reports should be finalised by the end of July. The Committee asked to receive the reports as they are issued rather than wait until the next meeting.

6. **Follow up Internal Audit Reports**

It was reported that the fieldwork for the follow up audit was completed and the report was currently being finalised. Earlier that day the College had been asked to provide copies of CE minutes evidencing discussion of FE course costs analysis informing decisions on curriculum delivery and course withdrawals with effect from September 2018. The Internal Auditor confirmed that this further evidence will inform the audit opinion that reasonable progress has been made, and that there are no concerns in respect of the year end opinion. It was agreed to circulate the follow up report to Committee members as soon as it is issued.

Arising from the discussion it was noted that the improvement in the College's financial performance this year is due to the work of the Vice Principal: Curriculum over the last two years to transform and streamline FE teaching.

CIC/AC/18/2/4, Internal Audit Tracker, was received and considered. It was reported that the final outstanding action arising from the Health and Safety audit (standardisation of risk assessments) was now completed, and agreed that this could now be removed from the tracker. The Committee noted that there had been some slippage in the implementation of recommendations arising from the 2016-17 internal audit programme, and expressed concern that not all Managers had provided an update on their progress in implementation recommendations for this meeting.

7. **Internal Audit: Progress Report**

CIC/AC/18/2/7, Internal Audit Progress Report was received and noted. Two final reports had been issued and reported to this Committee. The follow-up report was being finalised, and the GDPR readiness review report would be issued later this week. Based on the work to date the year-end audit opinion is likely to be positive. It was reported that the Business Continuity audit had just started and the Learner Numbers review was due to start the following week. The intention is to finalise all of the internal audit reports by the end of July and share with members of this Committee ahead of the next meeting.

Members noted that RSM had provided management with benchmark information from the 100+ GDPR reviews that they had carried out over the last year, which could be circulated to members if they would find it useful. The Executive Vice Principal: Finance and Corporate Development reported that he would be giving a presentation to the College Management Group the following day on the outcomes of the recent GDPR readiness audit, and where the College sits in relation to the available benchmark data.

8. **Internal Audit Plan**

CIC/AC/18/2/7, Internal Audit Plan 2018/19, was received and presented by the Internal Auditor. It was reported that the plan was linked to the Corporate Risk Register, and members noted the areas that were discussed in formulating the plan and the background for including or removing strategic areas from the plan (either another assurance provider is in place or the area has been subject to internal audit coverage within the last four years).

The Principal reported that due to the timing of the issuing of the plan the College Executive had not had an opportunity to consider the Internal Audit Plan in detail. As they consider the objectives of each review, they may wish to change its scope. Subject to this, the Committee AGREED to recommend the Internal Audit Plan 2018/19 to the Board for approval.

9. **Risk Management**

9.1. **Notes from Risk Management Committee**

CIC/AC/18/2/8, notes from the Risk Committee meeting held on 16th May 2018, were received and presented by the Executive Vice Principal: Finance and Corporate Development. It was reported that a topic for discussion at the recent Association of Colleges Finance Directors Conference had been the inefficiencies of old buildings, and in this context the Risk Management Committee had discussed what the College could do to increase the efficiency of its estate. Recognising that the College has a number of old inefficient buildings, Colchester Institute has put in a place a master plan for the Braintree and Sheepen Road campuses, to be completed by July 2019, and work is being undertaken by the timetabling team to identify areas that are inefficient.

It was noted that there had been a good response in respect of departmental risk registers (15 out of 16 areas had provided returns) and some basic actions were emerging as a result of the review of these risk registers, informing the overarching Corporate Risk Register. The Risk Committee had reviewed the capital risk register for the Braintree STEM and Colchester South Wing developments. It was reported that the biggest risk is the planning application for the Braintree STEM. The College has been able to secure a fifteen minute telephone conversation with a senior planning officer at Braintree District Council and is working towards submitting the formal planning application at the end of June 2018. There is also a risk at Braintree in relation to the land sale, and the need to relocate the mobile phone masts. The South Wing, Colchester project is later in the timeline.

Governors asked for clarification on the discussion at the Risk Committee in respect of summer coverage rota. It was reported that this related to encouraging curriculum area representatives to be available over the summer to respond to student related enquiries/admissions. A member of the College Executive is always available.

9.2. **Corporate Risk Register**

CIC/AC/18/2/9, Corporate Risk Register as at 16th May 2015, was received and Members noted the movement in risks. It was reported that the top risk is achievement rates, and the focus of staff is on securing the very best outcomes for students. Apprenticeship income has now been received, so that risk has been downgraded. The College is still forecasting an increase in apprenticeship income compared to last year, despite recruiting fewer students.

9.3. **Current Risk Issues**

It was reported that the risk around HE applications is increasing. A meeting was held the previous day and a number of immediate actions around promotional activities (mainly aimed at the College's level 3 final year students who may not yet have an HE destination) were agreed to try to increase applications, which are currently below where the College would like them to be. It was reported that the HE market appears to be under stress and that even universities are struggling to attract students in what is a very competitive market place. The College needs to do more to capitalise through its own students progressing.

9.4. **RSM Report Further Education Risk Management**

CIC/AC/18/2/10, RSM report on Further Education Risk Management, was received and noted. The internal auditor suggested that although the report was aimed at Governors, it was also a useful tool for senior leadership teams in terms of the questions to be asked against key risks. The Executive Vice Principal: Finance and Corporate Development reminded Governors of the actions that had been taken in recent years to improve the College's financial position. These include closing the nursery; reshaping the offer at the Minories and leasing the cafe to a third party provider; changing the way the refectories operate; and the establishment of CI Business Solutions. It was reported that a separate section is to be included in the budget for areas such as the cafe at Clacton and Creative Arts Live so that it is transparent if the College is budgeting for a loss in these areas.

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/18/2/11, minutes of the Health and Safety Committee meeting held on 1st June 2018, were received and noted. The Executive Vice Principal: Finance and Corporate Development reported that he would be talking to middle managers the following day on a range of health and safety themes. The presentation will include: the minor incident log process and first aid reporting process and clarifying the circumstances under which the minor incident log should be used; the need for VDU assessments to be in place for all staff and refreshed if they move office; a reminder that in the event of an evacuation, evacuation managers must make sure that safe refuge places are checked; other reminders for staff around accident reporting and room audit forms.

12. **Policy Review**

CIC/AC/18/2/12, Admissions Policy, was received and considered. It was reported that the College is increasingly being challenged when it retires a course, with parents stating that the College has no right to do this and that their child has a right to access a course at college. The Policy had been updated to provide more clarity on the statutory position in relation to the admission of individual students and in relation to the provision of particular courses and the Chair of this Committee had approved the updated policy for the current year (admission to College September 2018). Arising from the discussion it was noted that unlike a school, with one exception the College can admit who it wishes, and this is now stated in the policy. The College might have a statutory duty if it is named in a student's educational health and care plan (EHCP), but it is important to note that the College does have the opportunity to challenge a decision to be named in an EHCP if for good reason it genuinely feels that it is not an appropriate provider for the student. In response to a question it was reported that the College has an Admissions Review process and is able to deal with most cases through that mechanism.

The Committee endorsed the action of the Chair in approving the updated policy for the current year and AGREED to recommend the policy to the Board for approval for use for admissions to College in 2018/19 for 2019/20.

A member asked how students and their parents are made aware that admission is discretionary and were advised that recruitment literature and the website includes clear information on the criteria that needs to be met for each course and most offers of a place on a course are conditional on the achievement of qualifications or other criteria. There are also a range of programmes, such as in Early Years Education and Health and Social Care, where part of the programme includes working with children, and a DBS is required; this is included in the course literature. Colchester Institute is an inclusive College and it is rare not to admit a student, but will exercise that right if it feels that admitting a student would put them or another member of the college community at risk.

The Admissions Review Panel was discussed, and it was noted that the membership of the Panel was drawn from senior staff at the College. The Committee suggested that the membership of the Panel might be strengthened if it included a member who was seen to be independent of the College. Some schools have agreements with neighbouring institutions to provide staff to sit on panels such as these. The Principal agreed to consider this further.

13. **Revised Committee Terms of Reference**

CIC/AC/18/2/13, revised Terms of Reference for the Audit and Compliance Committee, were received, considered and accepted for recommendation to the Board subject to clarifying that as well as staff governors not being eligible to serve on the Committee, no members of the College staff should be appointed to the Committee. It was noted that the revisions had been drawn up by the Clerk, having regard to the Post 16 Audit Code of Practice published in March 2018.

14. **Date of next meeting**

It was noted that there will be a joint meeting with the Resources Committee at 4.00pm on Tuesday, 4th December 2018, to review the Report and Financial Statements 2018. The autumn term meeting of the Audit and Compliance Committee will immediately follow the joint meeting (nominal start time 4.30pm).

15. **Any other Urgent Business**

There were no items.