

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee
held on 4th December 2018
at the Sheepen Road Site*

Present

Kevin Prince, in the Chair
Mark Davies

David Gronland

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
Tim O'Connor	Scrutton Bland, External Auditor

Apologies for absence were received from Pamela Donnelly and 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 6th June 2018 (CIC/AC/18/3/1) were received and confirmed. The Chairman signed the minute book.

3. Matters Arising from the Minutes

3.1. Admissions Policy

The Chair asked if the College has given consideration to including an independent member on Admissions Review Panels. The Principal reported that this has not yet been progressed.

4. Report and Financial Statements 31 July 2018

CIC/AC/18/3/2, Report and Financial Statements 31 July 2018, was received and noted. Members of this Committee had attended the Resources Committee prior to this meeting for the presentation of the financial statements by the External Auditor.

CIC/AC/18/3/3, External Auditors Report to the Audit and Compliance Committee, was received and considered. The External Auditor drew Members' attention to the audit and accounting issues to be reported to the Audit and Compliance Committee. It was noted that:

- As part of the audit process the External Auditors had reviewed the Internal Audit Reports.
- There is a liability recorded in the balance sheet in respect of the Lennartz VAT arrangements. The College's appeal of the decision of the First Tier Tribunal has been granted. One assessment was not received from HMRC in time and is no longer payable by the College as it is out of time. All other assessments have been raised and at year end the College has a liability recorded in the balance sheet which could potentially be payable in respect of Lennartz. Should the College win the claim on appeal, or reaches an out of court settlement, £1.5m could be refunded. The accounts have been prepared on a worst case scenario basis and this figure has not been brought into the accounts and is not included in any forward cash flow forecasts.
- The College has received written confirmation that the second of four claims in respect of Brockenhurst is payable but has yet to receive payment.

- There is a significant accrual in respect of electricity costs because invoices have not been received.

The procedural recommendations were considered. A recommendation from the previous year in respect of Colchester Institute Enterprises (CIE) Ltd was accepted and is now operational. Three procedural recommendations were made for the current year, relating to lead schedules which were changed a number of times during the audit field work; authorisation of sales credit notes, and the banking approvals process in respect of the new catering income stream. The recommendations have been accepted and are being implemented.

Governors' attention was drawn to future developments:

- A new SORP (Statement of Recommended Practice) is due to be published next year although it should not have a significant impact on the College. The next revision in 2022 is likely to be more substantial.
- Making Tax Digital for VAT comes into effect from 1 April 2019. The Executive Vice Principal: Finance and Corporate Development and his team are working with the software providers to ensure the College is compliant with the requirements.
- Employer contributions to the Teachers' Pension scheme (TPS) could rise to as much as 23% with effect from September 2019. The funding body have only committed to covering these costs until the end of this spending review period (September 2019 to March 2020). The full year cost to the College of these additional payments will be approximately £780k.

There was a wide ranging discussion with the Auditors on the potential impact of the TPS increase on the College's going concern in 2020 if not mitigated with savings elsewhere. This is a major risk for this Committee and a strategic decision for the full Board to consider. It was agreed to monitor news from the Department for Education on funding to cover the additional costs; monitor what the rest of the sector is doing; and discuss further at the Risk Committee.

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

The Committee met with the Auditors without Officers present. The notes of the meeting are recorded separately as Part II confidential minutes.

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

It was AGREED to recommend the Report and Financial Statements 31 July 2018 to the Board for approval.

5. **Risk and Assurance Report on Subcontracting ESFA External Controls Assurance**
CIC/AC/18/3/5, Risk and Assurance Report on Subcontracting ESFA External Controls Assurance, was received and noted. It was noted that it is a very limited report and framework on which the External Auditor is required to give assurance. The audit looked at the terms of the contracts that the College holds with its subcontractors and the information that is published on the website in respect of the funding retention element. The assurance opinion was significant. There were two low level recommendations arising from the audit.

The risk to the College in this area of work is reducing because of the strategy to reduce the number of subcontractors that Colchester Institute works with, making it easier to monitor the arrangements and manage the risk.

6. **New Internal Audit Reports**
The Internal Auditor presented the new Internal Audit Reports. The first three reports were part of the 2017-18 Internal Audit Plan and contributed to the Internal Audit opinion for that year.

6.1. General Data Protection Regulation (GDPR) Governance (4.17/18)

CIC/AC/18/3/5, General Data Protection Regulation (GDPR) Governance Internal Audit Report, was received and noted. The methodology employed for the audit was to look at what the College had done in line with the 12 step guide published by the Information Commissioner. It was an advisory review which resulted in eight agreed actions, around action planning, making sure the policies and procedures are updated to incorporate the latest guidance in terms of GDPR, and awareness training. The Internal Auditor reported that the number of actions was low compared to the majority of reviews that they had carried out in this area. There were no significant findings.

Arising from the discussion it was reported that since the legislation was introduced there had been a number of near miss events reported by staff, which had been recorded as such on the breach log, and reviewed at the weekly College Executive meetings. These were largely third parties sending the College sensitive data by email without appropriate security controls in place.

6.2. Learner Number Systems (6.17/18)

CIC/AC/18/3/6, Learner Number Systems Internal Audit Report, was received and noted. The audit had focussed on apprenticeship provision. Forty learner files had been sampled, and the testing was designed to confirm compliance with 2017/18 funding rules. There were two medium priority actions in relation to apprenticeships. The audit found instances where there was insufficient detail on how the 20% off the job training has been quantified and delivered. A template has now been designed and sent to employers to demonstrate how this has been met. The audit also identified instances where learners were not enrolled onto English and/or maths despite not having prior attainment in these areas.

6.3. Business Continuity (5.17/18)

CIC/18/3/7, Business Continuity Internal Audit Report, was received and noted. This is the first time that this area has been reviewed by the Internal Audit Service, and the audit found that the controls are generally well designed and operate effectively. A number of low priority actions were agreed with Management. It was felt that the Business Continuity Plan was robust but needed updating for some inconsistencies and missing information.

It was reported that the Business Continuity Plan was in a state of change with the introduction of a lock down procedure. The College has undertaken a number of training sessions, and the Chair of this Committee joined staff for one of these sessions.

6.4. Quality of Teaching and Learning Observations (1.18/19)

CIC/AC/18/3/8, Quality of Teaching and Learning Observations Internal Audit Report, was received and noted. The audit had looked at the procedures and framework in place, with testing to ensure compliance with the framework. The review identified some issues of non-compliance. It was reported that some of the issues found during the audit were also identified during the recent Ofsted Inspection.

7. Follow up Internal Audit Reports

7.1. Internal Audit Follow Up Report

CIC/AC/18/3/9, Internal Audit Follow Up Report, was received and noted. The follow up had looked at 20 actions arising from previous reports, three of which were high priority and 17 were medium. The review found that the College had demonstrated reasonable progress in implementing the agreed management actions. Of the three high priority actions, two had been implemented and one was ongoing. Of the 17 medium priority actions, three were not yet due, twelve had been fully implemented, and two were outstanding.

7.2. Internal Audit Tracker

CIC/AC/18/3/10, Internal Audit Tracker, was received and progress noted. Arising from the discussion it was agreed that the Internal Audit Follow Up assignment this year should look at some of the older actions and recommendations to determine if they are still valid in the current environment.

The Executive Vice Principal: Finance and Corporate Development updated the Committee on the latest actions around IT resilience. It was reported that new servers had been purchased and the College has moved to a new firewall. The College has achieved cyber essentials accreditation and should achieve Cyber Essentials Plus by 14th December 2018. Part of a range of testing includes systems penetration testing.

8. Internal Audit: Progress Report

CIC/AC/18/3/11, Internal Audit Progress Report, was received and noted. The Committee's attention was drawn to one proposed change to the plan approved in June 2018. Instead of a capital project review at Braintree a review of classroom utilisation will be undertaken. This was approved by the Committee.

Governors' attention was drawn to the report on key issues affecting the sector appended to the report.

9. Annual Internal Audit Report

CIC/AC/18/3/12, Annual Internal Audit Report and Opinion – Year ended 31 July 2018, was received and presented by the Internal Auditor. It was noted that the opinion on risk management, governance and internal control was a positive opinion. The Internal Auditor reported that across their client base, 83% of clients receive this opinion. Just 7% of clients receive substantial assurance, and 10% receive a negative opinion.

It was noted that the Internal Auditors do not consider there are any issues identified by their work which the Board should consider in its annual governance reporting. It was agreed that this should be reflected in the Audit and Compliance Committee's Annual Report to the Board.

10. Audit and Compliance Committee Annual Report

CIC/AC/18/3/13, Audit and Compliance Committee Annual Report to the Board and Chief Executive 2017-18, was received, considered and accepted for presentation to the Board, subject to the addition agreed under Minute 9 above. It was noted that the College is required to send a copy of this report to the Department for Education with the External Auditors Management Letter, and the accounts and management letter for Colchester Institute Enterprises Limited.

11. Regularity Audit Self-Assessment Questionnaire 2017-18

CIC/AC/18/3/14, Regularity Audit Self-Assessment Questionnaire 2017-18, was received, considered and APPROVED. The questionnaire had been completed ahead of the audit work undertaken by Scrutton Bland in August, and references the evidence that was provided as part of the audit to demonstrate compliance with government requirements.

12. Value for Money Papers 2017-18

CIC/AC/18/3/15, Value for Money Paper 2017-18 was received and considered. The College monitors procurement savings made by all departments during the year against alternative quotations and including discounts offered or donations in kind received from suppliers. At the close of the year the College recorded total savings of £963k against a target of £700k. This included £347k savings generated through the capital programme. Savings in estates, curriculum efficiency, City and Guilds Preferred Partnership Agreement and back office costs were also noted.

It was reported that the process for inviting students to interviews and notifying them of welcome days has been moved on line this year, significantly reducing the cost of the admissions process. Postage costs have halved over the last three years, as letters are increasingly sent as email attachments rather than through the post.

The Committee congratulated the Executive Vice Principal: Finance and Corporate Development on the savings that had been achieved during the year.

13. Financial Regulations and Association Procedures 2018-19

CIC/AC/18/3/16, summary of changes to the Financial Regulations and Associated Procedures 2018-19, was received and noted. The most significant change was an increase in the mileage rates payable for travel on company business from 38p to 40p per mile as a result of an increase in the price of fuel. Subsistence rates were also increased on the recommendation of the Resources Committee.

14. Risk Management

14.1. Notes from Risk Management Committee

CIC/AC/18/3/17, notes from the Risk Committee meeting held on 2nd November 2018, were received and presented by the Executive Vice Principal: Finance and Corporate Development. In the absence of the Chair of this Committee, Governors were represented by Liz Goodall.

Departmental risk registers were reviewed and in a number of areas the author of the departmental risk register received feedback from the Risk Committee on areas that need updating or where the Committee did not agree with the register.

The Committee Chair asked about the return rate for departmental risk registers and was advised that it was over 85% for this meeting.

14.2. Corporate Risk Register

CIC/AC/18/3/18, Corporate Risk Register as at 26th November 2018, was received and Members noted the movement in risks. As a result of the views coming through from departmental areas skills and staff shortages in key areas is now the top risk. A number of actions are being looked at by the Executive Director: Human Resources to mitigate the risk.

The risk around the capital programme has reduced now that planning approval has been received for the project at the Braintree campus and favourable feedback has been received in respect of the project at the Colchester campus. The phone masts at the Braintree campus still need to be moved and the Executive Vice Principal: Finance and Corporate Development is attending a meeting in London on 6th December to take this forward. The service providers have agreed in principle to share a mast, but the risk is still high.

Curriculum risks have increased and business support risks have generally reduced. There is a lot of work to do in many areas as a result of the recent Ofsted Inspection. This ranges from marketing and communications through to employer engagement and HR team support for human resource planning and the impact on recruitment.

Governors noted that the College is finding it increasingly difficult to employ people in the electrical area because of the boom in house building. The College is struggling to recruit and retain staff because some colleges are offering very high salaries for assessors and trainers. The College has paid a skills supplement to attract applicants in the area of plumbing and has offered Golden Hellos in a wider range of subject areas. Governors asked which areas of the College's provision are the most popular. It was reported that plumbing is popular for apprenticeships rather than full time. The area that the College is struggling to staff is electrical installation. Adults want to do part time evening

courses to up-skill or re-skill and at the moment the College can't staff it. It was reported that the Head of Department is currently teaching 12 hours a day, which is not sustainable. Other colleges are experiencing the same difficulties and vacancies are being advertised at up to £50k.

14.3. Current Risk Issues

This was discussed as part of the review of the corporate risk register (minute 14.2 above).

15. Reports under the College's Fraud Policy

CIC/AC/18/3/19, Report of Attempted Fraudulent Activity, was received and noted. The College had been notified of an attempted transaction (c£200.00) against a Corporate Credit Card. The transaction was stopped and the card immediately blocked for the College's protection and a new card was issued. The College has very limited information as the Barclaycard Fraud team will not share the details.

16. Health and Safety

16.1. CIC/AC/18/3/20, Minutes of the Health and Safety Committee meeting held on 23 November 2018, was received and noted. The Committee had looked at accident statistics, near miss reports, update on first aid, and audit plans for the year. There were no items of note to bring to the attention of this Committee.

16.2. CIC/AC/18/3/21, Health and Safety Committee Annual Report 2017-18, were received and noted. The report summarised the items discussed at the three meetings held during the year.

17. Date of next meeting

Wednesday, 27th February 2019 at 4.30pm. David Gronland gave his apologies for the next meeting.

18. Any other Urgent Business

18.1. Environmental, Social and Corporate Governance

Given the increased focused on environmental, social and corporate governance in the private sector, a Governor asked if this is something that colleges need to consider. The External Auditor said that this is something that the Office for Students is starting to look at and this could bring new requirements for the sector.