

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee  
held on 13<sup>th</sup> March 2019  
at the Sheepen Road Site*

**Present**

Mark Davies, in the Chair  
Pamela Donnelly

David Gronland  
Sue Thompson-Arnold

**In Attendance**

Alison Andreas	Principal and Chief Executive
Gary Horne	Executive Vice Principal: Finance and Corporate Development
Anna O'Keeffe	Internal Audit Client Manager, RSM
Hazel Paton	Clerk to the Governors

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 4<sup>th</sup> December 2018 (CIC/AC/19/1/1) were received and confirmed. The Chairman signed the minute book.

**3. Matters Arising from the Minutes**

**3.1. Admissions Policy**

The Principal reported that she had discussed with the Vice Principal: Student Services and Support, the practicalities of including an independent member on Admission Reviews Panels. These panels are often convened at short notice, but it should be possible to include an independent member. As the cases considered by the panel often include a safeguarding element the Lead Governor for Safeguarding will be invited to attend in the first instance. If he is unavailable, then the College will contact another member of the Board. This was supported by the Committee.

**3.2. Impact of Teachers' Pension Scheme Increase**

It was reported at the last meeting that the Government had agreed to cover the cost of the increase in employer contributions to the Teachers' Pension Scheme until March 2020. It was subsequently announced that the extra costs would be funded until July 2020, so there will be no impact on the 2019-20 budget year. Funding beyond July 2020 is dependent upon the Comprehensive Spending Review. During his Spring Statement earlier that day, the Chancellor of Exchequer announced that the Comprehensive Spending Review will be in the summer rather than November 2019. This will give the College time to consider any impact on the 2020-2021 budget year.

**3.3. VAT – Brockenhurst Claim**

It was reported that the College had been credited with the second of four refunds due under the Brockenhurst Claim. The sum (£39k) has been offset against the Lennartz liability. Should the College win the Lennartz claim on appeal, this sum will be refunded. Although the College has not received the cash, this refund has improved the current ratio.

The Committee Chair asked about the outstanding Brockenhurst claims. It was reported that claims three and four are in a different category and are subject to a further appeal by HMRC against Brockenhurst College.

### 3.4. IT Security

It was reported that the College had received the Cyber Essentials Plus accreditation, mitigating the risk of external cyber-attacks. This accreditation is often required when submitting bids.

### 4. Committee Terms of Reference

CIC/AC/19/1/2, Audit and Compliance Committee Terms of Reference (approved 25/07/18), was received and considered. Arising from the discussion it was AGREED that the Committee would review its terms of reference and its effectiveness annually at its summer meeting. The review of effectiveness will inform the Committee's annual report to the Board. It was noted that in many organisations the Chairman speaks to members on a one-to-one basis at least annually to get their feedback on the effectiveness of the Committee and how it can be improved. This is often complemented by asking members to complete an annual effectiveness questionnaire, which forms a basis for the one-to-one discussions. The Clerk was asked to develop an effectiveness questionnaire for the Committee, drawing on best practice.

The Committee's terms of reference include responsibility for monitoring and reporting annually to the Board on the implementation of the College's Policy on Equality and Diversity. The Committee would normally receive an annual equality and diversity report for the previous academic year at its spring term meeting. The Principal explained the challenges that the College had faced in trying to finalise the report for 2017/18 in time for this meeting. The report sets out the main monitoring data and commentary for both staff and students. To be meaningful, the report needs to reflect on how student achievement rates, by gender, ethnicity, disability etc, compare to national benchmarks. National achievement rate tables are not published until March each year. Given their respective oversight roles, the Principal suggested that going forward the E&D report on staff is received by the Resources Committee, and the report on students is received by the Curriculum and Quality Committee. The staff report can then be considered earlier in the year, and the two reports combined and published as the annual report once national achievement rate data is available. After discussion it was AGREED that the report should be taken straight to the April meeting of the Board.

### 5. New Internal Audit Reports

CIC/AC/19/1/3, Health and Safety Internal Audit Report (2.18/19), was received and noted. The Internal Auditor reported that this was a further review of health and safety; the last report was in 2014/15. The review had looked at the progress that had been made since the last audit and there has been an improvement. Policies and procedures are in place, but some areas for improvement were identified in respect of embedding the policies within the organisation. Four medium priority actions for management were identified in relation to room inspections; staff inductions; lessons learnt from accidents; and ongoing training. There was also one low priority action.

The Executive Vice Principal: Finance and Corporate Development reported that as lead sponsor of the audit he was not happy with the outcome and had done a lot of work to address the issues since the report was issued in February 2019. He then gave the Committee an overview of a presentation that he had made to the College Leadership and Management Group earlier that week. The presentation covered:

- Regulatory background;
- the College's responsibility as employer
- the requirement in Financial Memorandum to demonstrate robust record keeping procedures;
- the potential for Ofsted to rate the College as inadequate
- the outcome of the Internal Audit Report; the audit opinion, and the five recommendations
- a mind map undertaken at the end of the audit to understand what needs to feed into the annual compliance audit programme.

It was reported that going forward there will be a more rigorous approach to health and safety audits and room inspections. A new compliance audit programme has been developed, and audits will recommence in April, based on risk. The areas of highest risk are electrical, plumbing, engineering, and facilities. A new audit checklist has been put together, covering risk assessments and codes of practice; staff awareness, PAT testing, equipment maintenance; and room audits. Initially, the reviews will be carried out by the Executive Vice Principal and the Health and Safety Manager. Once the framework is in place, the workload will be spread by using members of the health and safety committee to carry out lower level audits. Each area will be given an opinion, based on the criteria used by RMS, and any area given a no assurance outcome will be revisited within one month.

The Committee welcomed the changes being introduced, which appeared to be very thorough, and asked when health and safety would be audited again. It was reported that progress against the five actions for management in the report would be looked at by RMS as part of their follow up audit during 2019/20. It may also be agreed to include a fresh audit of this area in the internal audit plan 2019/20.

**6. Internal Audit Tracker**

CIC/AC/19/1/4, Internal Audit Tracker, was received and progress noted. It was noted that one review, the Business Continuity Plan review, was RAG rated red. It was reported that the slippage was due to the resignation of the Facilities Manager, who was the owner of the actions. The Executive Vice Principal: Finance and Corporate Development reported that he had discussed the outstanding actions in the Business Continuity Plan audit report with the Director of Capital Projects and two actions have now been completed, and progress is being made in respect of the other actions.

**7. Internal Audit: Progress Report**

CIC/AC/19/1/5, Internal Audit Progress Report, was received and presented by the Internal Auditor.

It was noted that the Follow Up and Curriculum Planning reviews were in progress. The start of the Curriculum Planning review had been brought forward from April at the request of Management. An earlier audit will enable the College to build in improvements and good practice in this year's planning cycle. The Executive Vice Principal: Finance and Corporate Development reported that following a lot of development work, curriculum planning was a far more robust process and he was confident of a positive audit opinion. As part of a new initiative a course costing exercise based on budget submissions will be undertaken this year. The College is looking for a course contribution of 35% to pay for business support services. Historically, course costing analysis was not carried out until after the year end; it was only in the last couple of years that it was carried out in year. The biggest impact on the contribution is the size of the student group.

It was reported that since the Progress Report was issued, the decision had been taken not to go ahead with the audit of staff retention and succession planning. This was driven by the resignation of the Executive Director: Human Resources, who is leaving the College at the end of March 2019. His departure will put additional pressures on the HR Team. As a result of this change, additional resources have been allocated to the follow up. RSM will also pull together some best practice from across the sector and a briefing to cover some of the aspects that would have been covered during the staff retention and succession planning audit.

Given the changes reported above, the Internal Auditor was asked whether the number and scope of audits in the internal audit plan 2018/19 would be sufficient for the Head of Internal Audit to provide an annual audit opinion. The Internal Auditor confirmed that she had discussed this with the Head of Internal Audit and he did not foresee any problems in providing an audit opinion.

8. **Financial Statement Auditors Performance Indicators**

CIC/AC/19/1/6, Performance Indicators for the Financial Statements Auditors 2017-18, was received and considered. It was noted that the auditors continued to meet the indicators, and the College Executive were satisfied with the advice that they receive from Scrutton Bland. It was AGREED to recommend to the Board the re-appointment of Scrutton Bland as Financial Statements Auditors for the current financial year.

The Committee Chair reported that he had met with Tim O'Connor, the Partner responsible for the audit at Scrutton Bland, the previous day in his capacity as new Chair of this Committee. They had discussed the external audit engagement; how accounting standards might impact; future developments; pensions and recruitment. It was a positive meeting and no concerns were raised.

9. **Internal Audit Performance Indicators**

CIC/AC/19/1/7, Performance Indicators for the Internal Audit Service 2017-18, was received and noted. This is the second year of the contract with RSM Risk Assurance Services LLP. The College Executive is very pleased with the service it receives and the value added that the service offers.

The Committee Chair reported that he had met with the Internal Audit Client Manager prior to this meeting to discuss the audit planning process.

10. **College Framework Documents**

10.1. **College Accounts Direction 2018 to 2019**

CIC/AC/19/1/8, College Accounts Direction 2018 to 2019, was received and noted. The accounts direction sets out the ESFA's financial reporting requirements for sixth-form and further education colleges. The Committee's attention was drawn to the changes in this version of the accounts direction. It was noted that colleges who fail to submit their audited accounts and associated documents to the funding body by 31<sup>st</sup> December are at risk of intervention by the FE Commissioner.

10.2. **Post 16 Audit Code of Practice 2018 to 2019**

CIC/AC/19/1/9, Post-16 audit code of practice 2018 to 2019, was received and noted. The Code provides guidelines for the external audit process and in respect of the requirements placed on colleges in terms of regularity and fraud reporting. The Committee's attention was drawn to the anti-fraud checklist included as an annex in the Code. The Executive Vice Principal and the Clerk will review the document to ensure the College is compliant.

10.3. **Regularity self-assessment questionnaire (2018 to 2019)**

CIC/AC/19/1/10, Regularity self-assessment questionnaire (2018 to 2019), was received and noted. The questionnaire provides a template for the work undertaken by Scrutton Bland in August each year, ahead of the external audit field work. The Clerk co-ordinates the completion of the questionnaire and a file of evidence is provided to the Auditors to support of the College's response.

11. **Risk Management**

11.1. **Notes from Risk Management Committee**

CIC/AC/19/1/11, notes from the Risk Management Committee meeting held on 14<sup>th</sup> February 2019, was received and presented by the Executive Vice Principal: Finance and Corporate Development. The Corporation Chair had attended the meeting on behalf of the Board.

The Risk Management Committee had considered the Risk Management Policy and agreed some minor changes. It had also considered emerging risks. All departmental risk registers had been reviewed and their impact on the Corporate Risk Register considered. Some areas require a further review and some training requirements were identified.

### 11.2. **Corporate Risk Register**

CIC/AC/19/1/12, Corporate Risk Register as at 19<sup>th</sup> February 2019, was received and presented by the Executive Vice Principal: Finance and Corporate Development. It was noted that a duplicate risk had been identified and removed from the register. The top three strategic risks were discussed.

It was noted that the narrative in respect of the risk around FE student income has been updated so that it was no longer backward looking. The risk of the 16-19 enrolment shortfall had already been realised this year, and because of the lagged learner funding methodology represents a risk next year. Mitigating action being undertaken by the College include reducing pay and non-pay costs and exploring other income opportunities.

It was reported that there had been some positive developments in terms of staff recruitment. Three new staff members would shortly be joining the Electrical Department, an area which the college has found it difficult to recruit to in the past.

In respect of the risk of a poor Inspection outcome, the Principal reported the College had put together a Strategic College Improvement Fund (SCIF) bid to support quality assurance initiatives. Colleges with an Ofsted Grade of 3 or 4 and who are working with one or more Good or Outstanding college are eligible to bid for SCIF funding. If successful the College could potentially receive £250k, of which one quarter has to be matched funded. Colchester Institute is working Northampton and Burnley Colleges, and a proportion of any SCIF funding will go to the partner colleges to pay for their staff time. The College will hear by 29<sup>th</sup> March whether the first stage application has been accepted. The second stage application will then need to be submitted within one month, and the outcome will be announced in late May. The funding can be used to pay for consultancy and additional posts and the matched funding element can be used for capital items. The biggest concern is that the College has the dual challenge of addressing quality issues at the same time as it is facing falling income. The Committee asked whether there was any element of clawback associated with SCIF funding. The Principal responded that the College will be required to provide regular reports on how the funding is being used, and it will be subject to audit.

### 11.3. **Current Risk Issues**

The Committee's attention was drawn to the following emerging risks:

- Health and safety – a number of actions are being taken in response to the internal audit report.
- External risks in respect of apprenticeship funding – the College is currently modelling the impact of a Government cap on non-levy apprenticeship allocations.
- HE Partnership risk – this is in respect of a sub-contractor relationship.

The Committee Chair asked whether the risk associated with being able to deliver the expected level of work experience in FE programmes was reflected in the Corporate Risk Register (CRR). It was reported that it is not in the CRR but is including the departmental risk register held by the Vice Principal: Curriculum Delivery and Performance. It was reported that this is an issue for the whole sector, and will be discussed by Essex Principals when they meet on 15<sup>th</sup> March. The issue is that the students may have to give up part time jobs to undertake a work placement, which is often unpaid, that aligns with their study programme. The CRR is a live document; the College Executive will continue to monitor this risk and update the CRR as appropriate. The College's target in respect of work experience is manageable this year, but it will get harder and harder. Colleges have to submit three reports to the funding body during the course of the year, and it is understood that these reports have resulted in some colleges receiving warning letters that their allocation will be cut next year.

### 12. **Reports under the College's Fraud Policy**

CIC/AC/19/1/13, Report of Attempted Fraudulent Activity, was received and noted. The College had identified and disputed two transactions on a Barclaycard statement which had not been sanctioned

by the cardholder. The card was immediately cancelled, a new card issued, and the disputed transactions removed from the statement.

The Committee Chair asked about opportunities for other fraudulent acts, such as identity and plagiarism. It was reported that under the 'know your customer policy' students have to produce a form of photographic ID before they are entered on the ILR. Examination Boards also have strict requirements, and students have to wear their ID badges during examinations. Plagiarism is dealt with by the curriculum areas under the Academic Offences Policy.

**13. Further Education Bodies: Insolvency Guidance**

CIC/AC/19/1/14, Further Education Bodies: Insolvency Guidance – January 2019, was received and noted. The guidance had been discussed at length at the last Board meeting and there were no specific concerns to bring to the attention of this Committee. The Internal Auditor was asked how colleges were reacting to the guidance and responded that it was too new to draw any conclusions. Arising from the discussion it was reported that there were three or four high profile cases of colleges in financial difficulty being reported in the press, and it will be interesting to see how the Funding Body responds.

**14. Update on GDPR Compliance**

CIC/AC/19/1/15, Progress against the ICO 12 Steps to GDPR Compliance, was received and noted. It was reported that the Director of Funding and Information had taken over the role as College Lead for data protection, and would be working with the College's Data Protection Officer to develop an annual work plan which will be brought to this Committee after approval by the College Executive.

**15. Health and Safety**

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

CIC/AC/19/1/16, Minutes of the Health and Safety Committee meeting held on 8<sup>th</sup> February 2019, was received and noted. The meeting had taken place before the Internal Audit report on health and safety had been issued by RSM. Fourteen health and safety audits had been completed and a further nine were scheduled. The programme of audits had been stopped following the issue of the Internal Audit Report, and following a review of the process will restart on 1<sup>st</sup> April.

It was noted that the number of recorded accidents is in line with last year. Going forward there will be a more rigorous approach to following up accident reports. There was one near miss as a result of a student deliberately kicking a ball directly at a window, breaking the glass. Facilities staff are looking at options to avoid a repetition.

**15.2. Health and Safety Policy**

CIC/AC/19/1/17, Health and Safety Policy updated February 2019, was received and noted. It was reported that following the issue of the internal audit report, more substantial changes had been made to the Policy and the updated version will be brought to the next meeting of this Committee.

**16. Date of next meeting**

It was agreed to move the date of the next meeting to 4.30pm on Wednesday, 19<sup>th</sup> June 2019.

**17. Any other Urgent Business**

**PART II – these minutes are not confidential but the supporting papers are confidential**

**18. Part II Confidential Minutes**

The Part II confidential minutes of the meeting held on 4<sup>th</sup> December 2018 (CIC/AC/19/1/18) were received and confirmed. The Chairman signed the minute book.