

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Compliance Committee  
held on 19<sup>th</sup> June 2019  
at the Sheepen Road Site*

**Present**

Mark Davies, in the Chair  
Lisa Clampin

Pamela Donnelly  
David Gronland

**In Attendance**

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

It was reported that Sue Thompson-Arnold had resigned from the Corporation Board.

1. **Chair's Introduction**

The Chair reported that:

- to improve the efficiency of the meeting and to focus discussion he had restructured the agenda.
- since the last meeting he had met with the External Auditor. The focus of the meeting had been on technical issues and future considerations. There were no matters arising from the meeting for this Committee to be concerned about.
- he had attended the internal audit planning meeting
- he had attended the Risk Management Committee, and commented on how the process works, and the attention to detail going down through the organisation. The Chair had been interested in how the discussion at this Committee supported some of the things discussed at Board level.

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

None.

3. **Minutes**

The minutes of the meeting held on 13<sup>th</sup> March 2019 (CIC/AC/19/2/1) were received and confirmed. The Chairman signed the minute book.

4. **Matters Arising from the Minutes**

None, other than on the agenda.

5. **Audit Planning Letter**

CIC/AC/19/2/2, Audit Planning Letter for the year ended 31 July 2019, was received and considered. The External Audit drew the attention of members to the most relevant sections. It was noted that:

- The scope of the audit was unchanged from previous years. The audit had been planned to enable the Auditors to give an opinion on whether the financial statements have been properly prepared and give a true and fair view. The audit will include a check against the model Casterbridge accounts produced by the Association of Colleges.
- An initial planning meeting had been held with the Executive Vice Principal: Finance and Corporate Development and Head of Finance.
- The Lennartz appeal is ongoing. Members were advised that the College has continued to account for this on a worst case scenario.

- The onsite work will use analytical techniques and substantive testing. Materiality and risk will be assessed as part of the process. The Auditors have concluded that there are no areas of significant risk that require special audit consideration.
- The accounts direction for 2018/19 requires additional disclosure in respect of the accounting officer. As well as disclosing remuneration, a justification for their total emoluments must be disclosed together with the pay multiple for the accounting officer and the medium pay of all other employees. The justification is a narrative assessment based on benchmarks and the pay multiple calculations.
- As part of the audit process the auditors have to assess the risk of fraud. At the time of the audit planning meeting the Auditors were not advised of any suspected or reported fraudulent activities.
- The key audit areas were informed by a risk analysis. The increase in Teachers' Pension Scheme (TPS) costs was raised as a particular area of concern. It was reported that whilst there is a funding agreement in place to cover the majority of these additional costs for the first year, there is uncertainty over whether this will continue in years two onwards.
- This would be the eighth year that Tim O'Connor has acted as the Audit Partner. A previous Audit Code of Practice (ACoP) set a maximum period of seven years after which the Audit Partner should rotate; the current ACoP does not set a time period. Last year this Committee agreed that the Audit Partner should stand down after ten years, which is in line with Office for Students guidance.
- The audit fieldwork would start one week later than in previous years, to give the College more time to prepare.

The Committee discussed the concerns in respect of the increase in the TPS costs. The External Auditor was asked what benchmarks would be used to challenge the assumptions in the budget, and responded that they would look at what other colleges are doing. Currently most colleges are assuming that the additional costs will be fully funded for next year. The Executive Vice Principal: Finance and Corporate Development reported that planning for the budget year assumes the grant allocation will be paid to 90% of total cost and continuing into the forecast year. Part of the risk and mitigation commentary will consider plans in the event 90% is not received if no grant contribution forthcoming. The Committee asked for some scenario planning to be undertaken to inform the Board discussions on the budget. The Chair questioned whether, in order to cover this level of additional cost without stripping out fundamental services to the detriment of the College and its ability to deliver the education and outcomes for students, the Board may have no choice but to approve a negative budget. The wider ramification in terms of the bank loan covenants would need to be considered. It was noted that the College has already taken the decision for financial reasons to withdraw the College shop and the Student Zone next year.

A Governor asked why the onsite work did not include testing of controls. The External Auditor said that this was primarily because they find it more efficient to do substantive testing. They do limited testing on controls in parallel.

The Executive Vice Principal: Finance and Corporate Development reported on a potential issue in respect of the sale of land at the Braintree Campus. The exchange of contracts is conditional on the College providing vacant possession and is therefore dependent on the timely removal of the mobile phone masts. This should be resolved by the time the accounts are signed off by the Board in December.

## 6. **New Internal Audit Reports**

### 6.1. **Curriculum Planning**

CIC/AC/19/2/3, Curriculum Planning Internal Audit Report (3.18/19), was received and presented by the Internal Auditor. It was reported that the College has well designed controls and that the under

recruitment in 2018/19 was due to external factors such as competition, the difficulty recruiting to apprenticeships (an issue affecting the FE sector as a whole), demographics and the downturn in interest in the area of hospitality. It was reported that the issues affecting hospitality are sector wide and a number of colleges are closing their hospitality provision because it is not cost effective to deliver. At Colchester Institute hospitality is the curriculum area that makes the lowest financial contribution, although its success rates are very good and it brings people onto the campus. The College is addressing the financial position by making significant pay and non-pay expenditure reductions next year, and following a push on school link activity is planning for an additional group next year.

The Chair asked if the College was doing enough horizon scanning and feeding that into its strategic planning. The Internal Auditor reported that over the last two to four years the sector has had to react to external factors. A considerable amount of time has been spent by senior and middle management putting in place strategies and restructures, impacting on the amount of time available for horizon scanning. The Chair reported that the Corporation Board and Committee Chairs will be meeting as a Chairs Forum on a more regular basis going forward and he will raise this at a future meeting.

## 6.2. **Utilisation of Classrooms**

CIC/AC/19/2/4, Utilisation of Classrooms Internal Audit Report (4.18/19) was received and presented by the Internal Auditor. Six actions were agreed as part of the audit. The Committee discussed a medium priority action in relation to the high number of room change requests being received and asked why this was happening. It was reported that there will always be a need to change classrooms, for example if a group over recruits and needs a larger room, but the College Executive was surprised at the number of requests being made. Actions to reduce the number of requests being made have been discussed by the Timetabling Group. The audit identified that half of the requests came from one area of the College and an in-depth analysis of the timetables for that area will be undertaken to overcome the issue.

The findings were discussed in the wider context of the estates savings planned for next year by taking some areas of the College out of use. Optimisation of room utilisation will enable the College to achieve savings in respect of heating, lighting, and the staff costs associated with Estates staff opening up and closing buildings.

As part of the audit a survey of five questions had been distributed to students. Almost 100 students responded. In respect of the question “do you feel that the rooms you have been assigned have had a positive effect on your learning?” one quarter responded “don’t know”.

## 7. **Follow up on Internal Audit Reports**

### 7.1. **Follow Up Report**

CIC/AC/19/2/5, Internal Audit follow up Report (6.18/19), was received and presented by the Internal Auditor. The review had looked at 20 previously agreed management actions and found that one had been superseded, 13 had been implemented and five had not been implemented. The Committee was concerned to note that the review had identified instances where the status of actions as reported by Management to this Committee through the internal audit action tracker did not align to findings of the internal auditor. As a result management have been encouraged to obtain evidence that actions have been completed before they are reported to this Committee as fully complete.

### 7.2. **Internal Audit Tracker**

CIC/AC/19/2/6, Internal Audit Action Tracker, was received and progress noted. The Clerk was asked to follow up on the findings in the Internal Audit Follow Up Report in respect of obtaining evidence that actions have been complete.

8. **Internal Audit: Progress Report**

CIC/AC/19/2/7, Internal Audit Progress Report, was received and presented by the Internal Auditor. The plan had been completed, subject to one draft report being finalised. It was noted that there were no issues that would impact on the year-end opinion.

The briefings on emerging issues affecting the sector appended to the report were noted.

9. **Risk Management**

9.1. **Notes from Risk Management Committee Meeting**

CIC/AC/19/2/8, notes of the Risk Management Committee meeting held on 5<sup>th</sup> June 2019, was received and noted. The Committee Chair reported that the College has a comprehensive process, but there are some gaps in information and some misunderstandings at management level of what is required.

9.2. **Corporate Risk Register**

CIC/AC/19/2/9, Corporate Risk Register as at 03/06/2019, was received and considered. It was noted that a new risk associated with apprenticeship funding had been added to the register on 23/05/2019. The Principal reported that the College received its funding allocations for 2019/20 the previous month, and was surprised that the allocation for non-levy paying apprenticeship provision was not as generous as previously. This is because the levy paying employers are now more efficient at using the majority of their levy funding for their own training needs and there is less funding being returned for non-levy allocations. The College is calculating how much of its non-levy allocation will be needed for students already in learning to complete their apprenticeships, but will not be able to recruit the same number of apprentices as this year (700) unless it increases its work with levy paying employers. The funding available for non-levy paying employers could be up to £0.75m less than expected next year to fund all of the 'carry-in' and the planned profile of new starts. The College is concerned that some of these non-levy paying employers are long standing customers in areas of local need such as construction, plumbing, and electrical, and there is a significant risk that the College may have to turn them away. The College is modelling a £0.75m reduction, reducing the income budget by £0.5m, and assuming £250k increase in levy paying work. The college is bringing forward new standards aimed at levy payers, including HR, Level 3 and Level 5 Procurement and Fire Fighting.

It was noted that the College is trying to raise awareness of the issue, and the Vice Chair of the LEP had asked the Principal to prepare a paper for an All Party Parliamentary Group looking at challenges for the Construction Sector. It was suggested that the College also lobbies the local MPs and the Leaders of the District and local councils.

9.3. **Current Risk Issues**

This item was taken under 9.2 above.

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/19/2/10, Minutes of the Health and Safety Committee meeting held on 17<sup>th</sup> May 2019, was received and noted.

12. **Data Protection/Freedom of Information Dashboard**

CIC/AC/19/2/11, Data Protection/Freedom of Information dashboard, was received and noted. Members agreed that the format of the reports was appropriate for their needs, and asked for future reports to draw attention to any variances in the data.

The Chair reported that a taxi company had recently been fined for breach of the General Data Protection Regulation (GDPR) because they had not deleted customers' telephone numbers in accordance with their data retention policy, and asked if the College was confident that it had deleted historic data and had a rolling programme of deleting data in line with retention periods. The Clerk/DPO reported that this would be picked up as part of the annual DPO work plan approved by the College Executive, which included a review of archive storage and testing to determine whether documentation was being retained in accordance with the retention of records policy.

13. **Committee Terms of Reference**

CIC/AC/19/2/12, review of Committee Terms of Reference, was received and considered. The Internal Auditor was asked to comment on the draft terms of reference and provide feedback to the Clerk outside the meeting. Subject to any changes proposed by the Internal Auditor, the terms of reference were approved for recommendation to the Board.

14. **Internal Audit Plan**

CIC/AC/19/2/13, Internal Audit Plan 2019-20, was received and presented by the Internal Auditor. The Committee considered the plan, and noted the links to the Corporate Risk Register. The Internal Auditor reported that risk management had not been reviewed since 2016, and that financial planning and budgetary control had not previously been reviewed by RSM. The plan reflects the auditable areas discussed at the audit planning meeting, and may need further prioritisation to bring it in line with the resource levels delivered this year. The College Executive need more time to review the plan. It was agreed that any update to the plan proposed by the College Executive would be circulated to the Committee for comment in advance of the next Board meeting.

15. **Risk Management Policy and Procedures**

CIC/AC/19/2/15, Risk Management Policy and Procedures, was received, considered and approved for recommendation to the Board.

16. **Review of Committee Effectiveness**

CIC/AC/19/2/15, Review of Committee Effectiveness, was received and discussed. It was agreed that the review would be helpful in identifying training and development needs or any skills gaps that need to be filled. The Clerk was asked to circulate the questionnaire to member for completion.

17. **Date of next meeting**

To be confirmed.

18. **Any other Urgent Business**

The Chair said that his attendance at the Risk Management and internal audit planning meetings had been very beneficial, enabling him to independently observe what is happening in the College, and he encouraged other Committee members to take opportunities to see what is happening in practice to inform discussion at this Committee.

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

19. **Part II Confidential Minutes**

The Part II confidential minutes of the meeting held on 13<sup>th</sup> March 2019 (CIC/AC/19/2/16) were received and confirmed. The Chairman signed the minute book.

It was reported that good progress had been made on the Health and Safety framework. The Executive Vice Principal: Finance and Corporate Development is still involved in the process. There are 13 areas still to be reviewed and the focus is on ensuring that they are all completed by the end of this academic year. A decision will then be taken on what approach to take next year.