

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Risk Committee
held on 6th July 2023
at the Colchester campus*

Present

Lisa Blake, in the Chair
Mark Davies

Irene Kettle
Jasmin Patel

In Attendance

Alison Andreas	Principal and Chief Executive
Olufolake Mustafa	TIAA, Internal Auditor
Gary Horne	Deputy Chief Executive
Ryan Swan	MHA, External Auditor
Hazel Paton	Clerk to the Governors

1. Apologies for absence

Apologies for absence were received from Terry Smyth.

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

None.

3. Agreement to Starred Agenda Items

Members were invited to indicate any items which they wished to star for discussion or question. Items that were not starred were noted and/or approved by the Committee without discussion.

4. Minutes

The minutes of the meeting held on 23rd March 2023 (CIC/AR/23/2/1) were received and approved as an accurate record. The Chair signed the minute book.

5. Matters Arising from the Minutes

CIC/AR/23/2/2, Action Sheet Log arising from the Audit Risk Committee, was received and noted.

5.1. Governors noted and discussed the training that could be provided by TIAA. It was agreed that it would be useful to have sessions on:

- an overview of what is expected of an audit committee. It was suggested the session could be attached to the next Committee meeting.
- Governance and ethics through the lens of an audit committee

Action: clerk to arrange with TIAA.

Given the recent changes to the make up of the Board, Members thought that it would be helpful for all Governors have a session around solvency and trusteeship liability. **Action:** The Chair agreed to speak to the Corporation Chair about whether this would be welcome.

5.2. A member of the Committee had asked for an example of how the College had used labour market intelligence to bring about change in the curriculum. This would be brought to the next meeting.**6. Audit Planning Memorandum**

CIC/AR/23/2/3, Audit Planning Memorandum for the audit for the year ended 31 July 2023, was received and presented by the External Auditor.

It was reported that:

- The Audit Planning Memorandum confirmed the independence, timetable, key audit risk areas, materiality levels, and fee levels.
- As a result of key changes to the International Standard of Audit (ISA) 315 the audit will spend more time assessing internal control systems.
- There may be more questions in areas not previously looked at as a result of the ONS reclassification of colleges.
- Materiality for this year would be 2% of revenue. Performance materiality would be 85% over all.
- The Partner responsible for the sign off of the audit would be Rakesh Shaunak. There would be a second partner review of going concern.
- The Auditor was required to look at the key audit risks, and put them into categories dependent on the likelihood/complexity and potential impact. The audit approach for the following key risks were noted:
 - Fraud risk.
 - Management override
 - Related party transactions – because this is the first year that the audit has been carried out by MHA, and also because of the changes under Managing public Money, this has been assessed as a significant risk, but that risk might reduce in future years.
 - Entitlement of income
 - Regularity
 - Going Concern – currently a medium risk but this might move as the audit process goes on.
 - Risk of clawback – the Deputy Chief Executive reported that the allocation had been achieved and he did not expect there to be any clawback this year.
 - Capital expenditure
 - Pension assumptions and staff costs

Governors' attention was drawn to the sector update included as an appendix in the Audit Planning Memorandum, in particular the sections on:

- reserves policy, and the monetisation of the college's risk register to make sure funds are available if those risks were to crystallise. Governors agreed that a minimum level of reserves was a good thing to have, but were not sure about the suggestion of monetising the risk register. A decision on whether to set a formal reserves policy was a matter for the Finance and Resources Committee.
- Holiday entitlement and holiday pay – some provision might need to be made for part year workers as a result of the judgement in the case of Harpur Trust v Brazel

Governors asked if the Auditors would review the files of the outgoing auditors. It was reported that because the College does not fall under the Companies Act there was no legal requirement for the previous auditor to give access to their working papers. The change of status to a public sector body had not changed this.

Going concern was discussed. The External Auditor was advised that the College had been in a net current liability position since the 2009 LSC capital failure which left the College with a long term loan. Over that period there had been a substantial improvement in the current ratio.

7. Internal Audit

7.1. Internal Audit Progress Report

CIC/AR/23/2/4, Summary Internal Controls Assurance (SICA) Report, was received and presented by the Internal Auditor. It was reported that the last of the five planned audits had been completed. Four of the five audits had received substantial assurance opinions. The Recruitment and Training follow up, which would involve sample testing and re-testing of some of the areas where issues were

identified during the audit, was due to take place on 17/18 July. Governors congratulated staff on receiving four substantial assurance opinions.

7.2. **Assurance Review of Equality Diversity and Inclusion**

CIC/AR/23/2/5, Assurance Review of Equality Diversity and Inclusion, was received and presented by the Internal Auditor. A substantial Assurance opinion was confirmed with one recommendation.

7.3. **Internal Audit Plan 2023/24**

CIC/AR/23/2/6, Indicative Audit Strategy 2023/26 and Annual Plan 2023/24, was received and considered. The Internal Auditor summarised the focus of the four proposed audits.

Governors discussed at length whether the plan should include a review which looked at teaching and learning and the student experience, and what such a review might look at. Suggestions included using a student survey and the Quality Improvement Plan to identify the areas of focus that would be most useful to the College and provide assurance to this Committee, or looking at whether the mechanisms for reporting back to the Curriculum and Quality Committee are fit for purpose. It was reported that following the changes to the Senior Leadership Team, there would be fewer people reporting to the Curriculum and Quality Committee next year, and a different approach to quality assurance. An audit towards the end of 2023/24 or early 2024/25 to assess the adequacy of the new quality assurance approach might be very helpful. **Action:** The College Executive was asked to work with the Internal Auditor to agree an approach and timing for an additional audit in this area and bring a proposal to this Committee for approval.

Subject to the above, it was AGREED to recommend the Internal Audit Plan 2023/24 to the Board for approval.

8. **Assurance Dashboard incorporating Audit Tracker**

CIC/AR/23/2/7, Assurance Dashboard 2022-23, was received and presented by the Deputy Chief Executive. It was reported that:

- Since the last meeting, the College had achieved Cyber Essentials, giving assurance that Colchester Institute continues to meet the requirements of accreditation, which increase year on year, making it more difficult to achieve certification.
- There were just three outstanding recommendations from the current and prior year audits to be taken forward.

Governors asked if the dashboard would be updated to cover everything in Managing Public Money where assurance was needed. The Committee was reassured that compliance with Managing Public Money was checked every month and reported through a schedule in the Management Report and Accounts. Other assurance aspects, such as Matrix Standard Accreditation would continue to be included on the dashboard as they fall due.

9. **Framework Documents 2022/23**

CIC/AR/23/2/8, Framework Documents 2022/23, was received and noted.

10. **Risk Management**

10.1. **Notes from Risk Management Committee**

CIC/AR/23/2/9, notes of the Risk Management Committee meeting held on 21 June 2023, was received and noted.

10.2. **Corporate Risk Register**

CIC/AR/23/2/10, Corporate Risk Register as at 22/6/23, was received and the highest risks reviewed. It was reported that that there had been no changes to the risk rating order since the last meeting of this Committee.

The Committee reviewed the highest risks. It was reported that the Level 3 Applied General Qualifications Defunding from September 2023 remained the highest risk. The College continued to do all it could to raise genuine concerns that might influence decisions. A further letter was being sent to MPs via College Principals, following up from the one to the Secretary of State. The Principal and Vice Principal: Curriculum Delivery and Performance had met with three members of the DfE, including the Deputy Director responsible for policy, that afternoon to discuss the impact of the qualification reforms. Colchester Institute was one of 15 colleges that the Department was talking to. The College had spoken to officials about:

- the impact on young people, in particularly those from disadvantaged backgrounds,
- the removal of qualifications with large enrolments where no suitable alternative provision would be available at Colchester Institute or elsewhere in Colchester.
- the very high cost to the organisation in terms of severance payments
- the fact that the large Level 3 programmes make the highest level of financial contribution and subsidise programmes in the community.
- Very few students will access T Levels if the College is not able to offer and resource work placements.

It was reported that HE applications risk and failure to achieve Apprenticeships income were two areas where numbers are impacted by matters largely outside the control of the College.

It was reported that staff retention remains a problem, not just teaching staff but also in areas such as IT, where the College has received four resignations in a month, and HR.

Governors acknowledged the efforts being made by the Principal to highlight the issues around Level 3 defunding and said it was important for the staff to understand that the Executive was doing everything it could to raise concerns both nationally and locally. It was reported that Sir Bernard Jenkin MP had been very supportive. He had spoken about his hope that colleges would be treated in the same way as schools and academies at a debate in Westminster Hall following the ONS reclassification, and had met with the Chair of the Education Select Committee about the defunding of qualifications.

10.3. Risk Management Policy

CIC/AR/23/2/11, Risk Management Policy, was received, considered and APPROVED. The Deputy Principal summarised the key changes. These included members of the Senior Leadership Team taking ownership of some of the key risks on the Corporation Risk Register, now that there is a smaller College Executive, and minor changes to the risk appetite statement.

At the last meeting a Member had questioned if it was acceptable to bring a policy to the Committee without a cover sheet. It was agreed that a cover sheet was not required now that all policies include a section 'changes implemented in this version'.

11. 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.

12. Health and Safety

12.1. Health and Safety Committee

CIC/AR/23/2/12, Minutes of the Health and Safety Committee meeting held on 5 June 2023, was received and noted.

12.2. **Health and Safety Policy**

CIC/AR/23/2/13, Health and Safety Policy, was received, considered and APPROVED for recommendation to the Board.

13. **Policy Review**

The Committee received, considered and APPROVED:

- CIC/AR/23/2/14, Business Continuity Policy and Disaster Recovery Procedures
- CIC/AR/23/2/15, Whistleblowing Policy and Procedure

Governors asked if processes were in place for staff to confirm that they have received and read policies. It was reported that for statutory requirements all staff are required to acknowledge that they have read Keeping Child Safe in Education each year in September. Other policies are loaded on the SharePoint system but alerts are not always sent to staff because they are not always relevant. The Committee discussed whether the College might be exposed if it could not demonstrate that staff had received key policies, and how the College might record that staff had received policies, such as using voting buttons in an email. **Action:** the Executive were asked to consider this further versus the administrative burden of follow-up.

14. **Review of Meeting**

The Committee reviewed the meeting and agreed the items to be reported to the Board.

15. **Date of next meeting**

Tuesday, 5th December at 4.30pm at the Colchester Campus.

16. **Any other Urgent Business**

16.1. The Committee received, considered and accepted CIC/AR/23/2/17, Internal Audit Annual Report 2022/23, which had been circulated in advance of the meeting. The Head of Internal Audit's Annual Opinion that, for the areas reviewed during the year, Colchester Institute has reasonable and effective risk management, control and governance process in place, was noted by the Committee.

16.2. The Committee extended its thanks to Mark Davies for his contribution to the work of the Committee and wished him well in the future.

Part II – Confidential

These minutes are not confidential but the supporting papers are confidential.

17. **Part II Minutes**

The Part II minutes of the meeting held on 23rd March 2023 (CIC/AR/23/2/16) were received and approved as an accurate record. The Chair signed the minute book.