

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Risk Committee
held on 14th March 2024
at the Colchester campus*

Present

Lisa Blake, in the Chair
Simon Attwood

Michael Asare Bediako
Varun Verma

In Attendance

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

Simon Attwood, Michael Asare Bediako and Varun Verma were welcomed to their first meeting of the Committee.

1. **Apologies for absence**

Apologies for absence were received from Jasmin Patel.

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 5th December 2023 (CIC/AR/24/1/1) were received and approved as an accurate record, subject to amending the last sentence in 13.2 to read “some actions are short term interventions”. The Chair signed the minute book.

5. **Matters Arising from the Minutes**

CIC/AR/24/1/2, Audit and Risk Committee action sheet, was received and noted.

For the awareness of new Members, the Deputy Chief Executive reported that the operating loss in the last financial year was caused by a reduction in HE fee income alongside the rise in inflation and energy costs which were beyond the control of the College. In the prior two years the College had made healthy operating surpluses. In the current year, the College was on target to achieve the budgeted surplus. In response to a question, it was reported that for the first time in many years, year-to-date apprenticeship income was ahead of budget.

6. **Internal Audit**

6.1. **Summary Internal Controls Assurance (SICA) Report**

CIC/AR/24/1/3, Summary Internal Controls Assurance (SICA) Report, was received and presented by the Internal Auditor. It was reported that three of the four audits in this year’s plan were complete, and the final report issued, although the third report (Individualised Learner Record (ILR) - Learner Numbers) was issued after the papers for this meeting were sent out. The last audit, Safeguarding, was scheduled for June 2024.

It was reported that the Effectiveness of College Marketing audit received a Substantial assurance opinion. The audit found the controls to be operating as they were meant to be. There was one recommendation relating to staff responsibility for updating the website. The staff member responsible for the content had moved to a new role and responsibility for keeping the website updated needs to be formally reassigned to a staff member. As requested at the last meeting, the scope of the audit had been extended to provide assurance on the Corporation's responsibilities for maintaining the integrity of the website, which had led to the recommendation regarding staff responsibility for updating the website.

It was reported that the Cash, Bank and Accounts Payable audit received a Substantial assurance opinion. There were two recommendations, one to do with compliance with the prompt payment code, which is not being actively monitored, and the other to do with a disputed minor amount being held in the suspense account.

Noting that the College had moved to a cashless system during lockdown, a Member asked if there were any plans to look at the risks that come with a cashless system, such as fraud and cyber security. It was reported that the College had an advisory cyber audit last year, which was very positive. It had been recommended that the current three-year requirement for all staff to do online security training is made an annual requirement. The College also receives a level of assurance through the Security of Payments (PCI DSS) compliance check for Barclaycard for all cash received, and the annual Cyber Essentials accreditation which is due at the end of April.

The Committee were pleased to note another three Substantial assurance reports and thanked the Deputy Chief Executive and his team.

A proposal from the Chair that going forward the Committee should only receive the SICA summary report and the detailed reports for audits that receive limited or no assurance, was discussed and approved. The SICA summary reports include the executive summary and recommendations for each report issued. All Internal Audit reports will be available on request, and on the Governance Portal.

6.2. **New Internal Audit Reports**

The Committee received and noted:

- CIC/AR/24/1/14, Assurance Review of Cash, Bank and Accounts Payable
- CIC/AR/24/1/5, Assurance Review of Effectiveness of College Marketing

7. **Assurance Dashboard incorporating Audit Tracker**

CIC/AR/24/1/6, Assurance Dashboard 2023-24, was received and noted. For the benefit of new Members, the Deputy Chief Executive outlined the purpose of the paper.

As a result of discussions at the last Risk Management meeting, which assessed two new emerging risks around the curriculum, the Committee's approval was sought to add an additional audit to the internal audit plan for the current year. It was reported that in February, the DfE announced that there would be a new requirement to deliver more English and maths taught hours. The College will receive additional funding for each student who joins without a GCSE Grade 4 in English and/or maths, but the College will have to deliver additional hours which will come at a cost of additional teaching staff and teaching support workers. Securing English and maths teachers is difficult given the competition with secondary schools. The risks around not meeting that additional funding condition include (i) a significant clawback of funding (although not in the first year of the new conditions), and (ii) Ofsted risk. Currently Colleges can disapply up to 5% of students for various reasons without breaching the condition of funding. This 5% tolerance is being reduced to 2.5% next year and removed the following year. If the condition of funding is not met the College could lose funding. As well as the risk around staffing, there is a secondary risk around the additional classrooms that will be required to support the additional delivery hours. The last utilisation of classrooms internal audit in 2018 received reasonable

assurance, with recommendations. The Deputy Chief Executive thought that the College could be more efficient without building new classrooms and sought approval to add a review of the utilisation of classrooms to the internal audit plan, to take place immediately after Easter. Following a wide-ranging discussion, during which Governors questioned whether TIAA had the experience to look at timetabling; what value added element might be included; and whether a wider review of the estate strategy might be more useful albeit costly; the Committee gave approval in principle for this additional internal audit. The Committee asked for the scope of the audit to be circulated for comment and approval outside the meeting. **Action:** Deputy Chief Executive.

The conversation turned to whether this was a loss of revenue risk on which the Committee needed assurance, or a business risk. It was noted that the Corporate Risk Register showed funding as the key risk, but the response is primarily around staffing and accommodation to mitigate the financial risk of loss of income. In response to questions, it was reported that funding clawbacks would not come into effect until 2025/26 which would impact the 2026/27 funding allocation. The College expects an Ofsted inspection during the next academic year and Inspectors could raise questions if it is found that the College is not teaching to the allocated hours. The risk is around finding accommodation and avoiding the need to spend money on new classrooms which are potentially not needed because of inefficiencies in the use of existing facilities. The specialist facilities are heavily utilised; it is the classroom spaces where there might be efficiency savings.

Turning to the Assurance Dashboard, the Chair reported that the External Review of Governance had been a worthwhile process and the last Board meeting included a good session which looked at the recommendations. One of the recommendations was that each Committee appoints a Vice Chair. Members were asked to contact the Chair if this was a role they would like to take on. **Action:** it was agreed to discuss this at the next meeting.

The Committee noted that two outstanding Internal Audit recommendations were more than 18 months old and asked for an update. The Deputy Chief Executive reported that now that the HR Department was in a stronger position these would be taken forward. The new Learning and Development Officer was currently developing the annual training plan and scoping the additional cyber training.

8. Risk Management

8.1. Notes from Risk Management Committee

CIC/AR/24/1/7, notes of the Risk Management Committee meeting held on 28th February 2024, was received and noted.

8.2. Corporate Risk Register

CIC/AR/24/1/8, Corporate Risk Register as at 04/03/24, was received and considered. It was reported that the risk associated with the lack of management capacity had been moved to the deferred risks following the appointment of the Deputy Principal. Most risks had been lowered in terms of residual risk scores.

Governors noted that some risk owners had not reviewed their risk scores on a timely basis. Governors' attention was drawn to the Task and Finish actions which demonstrated that the Register had been updated more recently than the date of the last risk score review.

8.3. Curriculum reforms and potential impact on going concern

CIC/AR/24/1/9, Curriculum reforms and potential impact on going concern, was received and presented by the Principal. It was reported that the curriculum reforms, which had already started, were a significant risk to the organisation and had the potential to render Colchester Institute insolvent. The Committee's attention was drawn to the recommendations in the paper, which in summary were to do nothing yet while the College continues to lobby. This issue had been discussed at the recent Board planning day.

In response to questions, it was reported that the three year rolling financial plan approved by the Board in July 2023 did not include any T Level risks because it was outside the period the plan. The Finance and Resources Committee on 20th March would review the pre-budget estimate for 2024/25. The focus is on the next financial year; the Executive will then look to prepare a model for the year after. The Committee noted the overlap of its responsibilities with those of the Finance and Resources Committee and agreed that a joint meeting of the Committees might be needed in the future to consider this risk. This maintain oversight of the financial impact associated with the risk, the Committee asked for a report highlighting the level of financial risk. **Action:** Deputy Chief Executive.

It was confirmed that this risk would be brought to the attention of the ESFA during the Annual Strategic Conversation on 27th March.

9. **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 Risk Committee.

10. **Health and Safety Committee**

CIC/AR/24/1/10, Minutes of the Health and Safety Committee meeting held on 12th February 2024, was received and noted.

11. **Policy Review**

The Committee received, considered and APPROVED:

- CIC/AR/24/1/11, IT Security Policy – it was reported that there may need to be an interim change to the Policy following the Cyber Essentials review in April. A Member suggested that the Policy could be enhanced by identifying on the change control process who is going to be responsible for making those changes, possibly by adding segregation of duties as an appendix.
- CIC/AR/24/1/12, Data Protection Policy
- CIC/AR/24/1/13, Anti-bribery, Gifts and Hospitality Policy

12. **Data Protection Annual Report**

CIC/AR/24/1/14, Data Protection Annual Report, was received and noted.

13. **Development of Committee Members**

CIC/24/1/15, Development of Committee Members, was received and discussed. It was agreed that all members should undertake an element of training, and as a starting point to complete the following ETF Modules before the next meeting:

- Introduction to audit – online course exploring audit processes and the role of the governor
- Audit for audit committee members – self-directed resource exploring effective audit and how to assess this

The Committee will then discuss whether any further training is required. A Member who had already started the ETF programme reported that it was a significant time commitment.

14. **Review of Meeting**

The Committee reviewed the meeting and agreed to bring the following items to the attention of the Board:

- The significant discussion round English and maths; the financial implications for going concern and the need to lobby and to undertake a review quite quickly of the utilisation of classrooms to help mitigate the risk.
- The probable need to hold a joint meeting of Audit and Risk and Finance and Resources Committee.
- The agreement to undertake some mandatory training
- The Committee's agreement to an extra audit that is not in the audit plan for 2023/24.

Reviewing the efficiency and effectiveness of the meeting, it was agreed to move the Assurance Dashboard to later in the agenda so that it is considered after all items that might give assurance, including the risk register, management of fraud and minutes of the Health and Safety Committee.

Action: Head of Governance

15. **Date of next meeting**

Thursday, 4th July 2024 at 4.30pm at the Colchester campus.

16. **Any other Urgent Business**

The Committee extended its thanks to the Clerk for her help and support and wished her well in her retirement.