

Colchester Institute Corporation

*Minutes of a Meeting of the Audit and Risk Committee
held on 5th December 2023
at the Sheepen Road campus*

Present

Lisa Blake, in the Chair
Irene Kettle

Jasmin Patel

In Attendance

Alison Andreas	Principal and Chief Executive
Mark Eagle	Audit Manager, MHA, External Auditor
Clare Lavery	Audit Manager, TIAA, Internal Auditor
Gary Horne	Deputy Chief Executive
Hazel Paton	Clerk to the Governors
Kevin Prince	Corporation Chair (item 6 only)

Observer

Simon Attwood

Simon Attwood, prospective Governor and Committee member, and Kevin Prince were welcomed to the meeting.

1. **Apologies for absence**

There were no apologies for absence.

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 6th July 2023 (CIC/AR/23/3/1) were received and approved as an accurate record. The Chair signed the minute book.

5. **Matters Arising from the Minutes**

CIC/AR/23/3/2, Audit and Risk Committee Action Sheet, was received and noted.

5.1. The Chair asked for an update on training for Committee members and potentially for the Board. The Internal Auditor reported that a proposal had been sent to Clerk but had not yet been discussed.

5.2. It was confirmed that the Audit Plan had been updated to include potential advisory reviews.

5.3. The Committee Chair confirmed that the Corporation Chair was supportive of a suggestion that the Internal Auditor attends one Board meeting each year to update Governors on emerging themes from a risk perspective. This could be scheduled as a pre-Board briefing. It was agreed to consider this further after strategic planning day so that relevant issues arising from the day could be addressed.

Action: Clerk

6. **Report and Financial Statements 31 July 2023**

6.1. Report and Financial Statements

CIC/AR/23/3/3, Report and Financial Statements Year Ended 31 July 2023, was received and presented by the Deputy Chief Executive. It was reported that:

- the accounts were largely in line the Period 12 (July 2023) Management Report and Accounts (MMR).
- Following the receipt of the R14 ILR Return confirmation from the ESFA, which gave the final funding claims, Work Based Learning income had been increased by £150k to reflect additional earnings on apprenticeship work over that declared in the MMR, and Adult income was reduced by £50k, which was within the tolerance originally expected. With the agreement of the External Auditor the decision had been taken to recognise this extra income, which brought the operating loss for the year to £447k.
- Under the ESFA methodology, the College needed to achieve a breakeven position to retain Good financial health. This was not achieved because of the shortfall in HE enrolments and Work Based Learning income, which was £600k below budget. The financial position was also impacted by extra costs due to inflation, in particular energy costs. The College had to go out to the market at peak prices.
- The value of the defined benefit pension scheme surplus is not shown as an asset in the accounts because the College cannot realise that asset.
- As expected, cash dropped from £4.8m to £3m at the end of the year because of the College's lagged investment in the decarbonisation scheme. Net cash flow was positive prior to investment.

The Committee noted that the deficit position was as expected, indicating that the College's forecasting was robust, and that Governors were receiving the right information at the right time.

In response to a question, it was confirmed that the financial objectives in the narrative to the accounts are approved by the Finance and Resources Committee as part of its approval of the Financial Plan in July each year.

The Committee were comfortable with the Report and Financial Statements in terms of core content, but questioned whether the narrative gave the reader a sense of where it wants to be as well as where it is currently. Members observed that the narrative had more of a focus on areas where the College had struggled rather than promoting the good work that it does and did not feel balanced. Members discussed how to strengthen the narrative. The Committee Chair agreed to forward comments and suggestions to the Deputy Chief Executive outside the meeting. **Action:** Deputy Chief Executive

Members questioned where the Board gets its assurance to be able to make the statement in the Statement of Responsibilities of Members that the Corporation is responsible for the maintenance and integrity of the College's website. It was reported that the wording is in line with the Casterbridge accounts template, and the statements relates to the integrity of the accounts on the website. It was suggested that this could be looked at as part of the internal audit review of Marketing. **Action:** Deputy Chief Executive/Internal Auditor

Subject to the amendments requested during the meeting, it was AGREED to recommend the Report and Financial Statements Year Ended 31 July 2023 to the Board for approval.

6.2. Auditing Findings Report

CIC/AR/23/3/4, External Auditors Audit Findings Report, was received and presented by the External Auditor. It was reported that the audit had gone well.

The External Auditor highlighted the key matters arising from the audit. It was reported that:

- the areas of focus were those identified at the planning stage and no problems had been identified during the audit.
- The Auditors had reviewed the evidence of how the Corporation has satisfied itself that the College Group will remain in operation for 12 months from the date of approving the financial statements. The Auditor's conclusion on going-concern was in line with that of the College.
- The Auditors had reviewed the documentation on the Lennartz VAT arrangements and concur with Management's view that it should not be recognised in the financial statements.

The Committee's attention was drawn to misstatements and the unadjusted error in respect of CIE (Colchester Institute Enterprises) Ltd. The External Auditor reported that as CIE was a dormant organisation neither the investment nor the creditor should be recognised in the accounts.

The Committee's attention was drawn to the audit findings:

- At the time of the audit some declarations of interest had not been updated for 2023. It was recommended that all Governors have a declaration form in each year.
- A review of the fixed asset register to remove assets that are no longer held by the College had been recommended.
- Matters brought forward from previous years had not been an issue in the current year.
- The Management response to advisory observations relating to Harpur Trust vs Brazel; Corporation tax risk; and VAT review were noted.

It was reported that the audit fees were in line with the initial quote, reflecting that the audit had gone well.

6.3. **Letter of Representation**

CIC/AR/23/3/5, Letter of Representation, was received. It was reported that the wording of the letter was standard. The External Auditor reported that he needed to update the Letter to include a statement on Lennartz. Subject to this amendment, the Committee approved the Letter of Representation for recommendation to the Board.

6.4. **Going Concern**

CIC/AR/23/3/6, Report on Going Concern, was received and presented by the Deputy Chief Executive. It was reported that the format of the report was similar to the previous two years and presented a position of reduced financial health for the reasons discussed. The Deputy Chief Executive summarised the report, the current year performance at period 3 (October 2023), and the key assumptions used for modelling and sensitivity analysis under a range of scenarios. The probability of each scenario occurring, and the mitigating actions that would be taken if it were to occur, were noted. In respect of financial performance for the current year, it was reported that the College had already achieved the end January 2024 target for apprenticeships starts. Workbased Learning enrolments were well ahead of profile and it was expected that income would exceed budget for the first time for a number of years. The External Auditor liked the format of the report and commented that there were mitigations against each of the worst case scenarios.

The Principal and Deputy Chief Executive left the meeting.

The Committee met in private with the Auditors. This part of the meeting is recorded as a separate, confidential, minute.

The Principal and Deputy Chief Executive rejoined the meeting.

The Corporation Chair left the meeting.

7. Internal Audit

7.1. Summary Internal Controls Assurance Report

CIC/AR/23/3/7, Summary Internal Controls Assurance (SICA) Report, was received and presented by the Internal Auditor. It was reported that one audit (Effectiveness of College Marketing) was currently in progress. The Internal Auditor confirmed that the scope of the audit would be extended to pick up the Committee's request for assurance around the integrity of the website, although this would be at a specific point in time.

The Committee's attention was drawn to the progress report on follow up on previous internal audit recommendations. Members were pleased to note that there were no overdue recommendations.

7.2. Follow Up Review

CIC/AR/23/3/8, Recruitment and Training – Follow Up Review, was received and presented by the Internal Auditor. It was reported that all recommendations had been actioned and the Internal Auditor was satisfied that good controls were in place.

7.3. Updated Indicative Audit Strategy 2023/26 and Annual Plan 2023/24

CIC/AR/23/3/9, Updated Indicative Audit Strategy 2023/26 and Annual Plan 2023/24, was received and presented by the Internal Auditor. Two advisory reviews (Quality of Teaching and Student Experience) had been added for the Committee to consider. It was agreed that the reviews should feature in the 2024/25 audit plan in readiness for Inspection.

8. Assurance Dashboard incorporating Audit Tracker

CIC/AR/22/3/10, Assurance Dashboard 2023-24, was received and noted. There was nothing to bring to the attention of the Committee at this early stage of the year.

9. Regularity Audit Self-Assessment 2022/23

CIC/AR/23/3/11, Regularity Audit Self-Assessment 2022/23, was received, considered and APPROVED.

10. Risk and Assurance Report on the Subcontracting Standard 2022/23

CIC/AR/23/3/12, Risk and Assurance Report on the Subcontracting Standard 2022/23, was received and noted.

11. Annual Report to the Board and Chief Executive 2022/23

CIC/AR/23/3/13, Audit and Risk Committee Annual Report to the Board and Chief Executive 2022/23, was received, considered and APPROVED.

12. Value for Money

12.1. Value for Money Paper 2022/23

CIC/AR/23/3/14, Value for Money Paper 2022/23, was received and presented by the Deputy Chief Executive. As previously requested by the Committee, the content of the report had been widened to include more qualitative outcomes and reflect the work that the College does with stakeholders to support the local community. It also reflected on public benefit and gave a flavour of the reach of Colchester Institute. The Committee welcomed the report and suggested that some of the content, such as public benefit and how the College is improving the lives of people, could be included in the narrative to the Report and Financial Statements.

Arising from the discussion:

- it was reported that some areas of the College were still not meeting expectations in terms of financial course contributions and were being subsidised by the main FE provision.

- Governors were reminded that the College used to produce a two-page summary of the College's performance which was shared with stakeholders at an Annual Public meeting. The Annual Public meeting had been discontinued due to poor attendance. The Committee discussed the reinstatement of an Annual Public meeting to support employer engagement, noting that attendance might be improved now that the College has better links. **Action:** The College Executive to consider the reinstatement of an Annual Public meeting.

12.2. **Value for Money Policy**

CIC/AR/23/3/15, Value for Money Policy, was received and presented by the Deputy Chief Executive. The main changes were the inclusion of references to the Managing Public Money framework, and the addition of a section on the responsibility of the accounting officer to ensure value for money.

The Committee APPROVED the Value for Money Policy.

13. **Risk Management**

13.1. **Notes from Risk Management Committee**

CIC/AR/23/3/16, notes of the Risk Management Committee meeting held on 22 November 2023, was received and noted.

13.2. **Corporate Risk Register**

CIC/AR/23/3/17, Corporate Risk Register as at 28/11/23, was received and the highest risks reviewed. It was reported that:

- The year on year reduction in income and difficulty in cutting costs meant that HE was the highest risk.
- Worsening apprenticeship performance outcomes was the second highest risk. It was also an area that the Curriculum and Quality Committee agreed required improvement. It was reported that a lot of work was being undertaken through Task and Finish actions. The overall achievement rate for apprenticeships last year was 59.4%, which was above the most recent national average of 57%. The Principal accepted that apprenticeship performance was not good enough and that the College needed to ensure year on year improvement. Additional quality assurance measures had been put in place which it was hoped would help improve outcomes. It was reported that most Apprentices fail because they withdraw (often as a result of losing or leaving their job), rather than because they do not pass.
- A new risk around being unable to deliver on College priorities due to lack of senior management capacity had been added. This was felt to be necessary because of long term absence in the senior leadership. There was also a lack of capacity in Human Resources. It was reported the vacancy for an Assistant Principal was about to be advertised.

Governors asked how Task and Finish actions are monitored to see whether they have the desired impact. It was reported that Task and Finish actions are discussed at SLT meetings and, if they have an impact, they are normally moved into the controls column. Actions are monitored on a two-weekly basis. Some actions are short interventions and are removed once complete.

13.3. **Annual Assurance Report on Effectiveness of Risk Framework**

CIC/AR/23/3/18, Annual Assurance Report on Effectiveness of Risk Framework 2022-23, was received, considered and APPROVED. Governors' attention was drawn to one change introduced this year in respect of the risk management framework. As a result of the restructure, the risks in the Corporate Risk Register were now owned by a Member of the Senior Leadership Team, who are closer to the area of risk and the work that is being undertaken.

13.4. **Board assessment of fraud risk**

CIC/AR/23/3/19, Board assessment of fraud risk, was received and considered. It was reported that the assessment had been requested by the External Auditors. The Deputy Chief Executive reported that he had developed a narrative on behalf of the Committee and summarised the draft responses to each question.

In response to a question on instances of fraud it was reported that there had been some attempts recently where a member of staff had received an email purportedly from the Principal. The College also received phishing and other hacks on a regular basis. There had been two issues in fifteen years which had been fully reported to this Committee. One of these had involved a staff member and had been reported to the Police. It was confirmed that staff receive regular reminders of what to look out for whenever there is an attempted fraud.

The Chair raised a number of questions on the draft Board assessment, including how the College gets assurance that the Fraud Policy is put into practice, whether there was the right level of fraud awareness amongst staff and the role of the Internal Audit Service. The Internal Auditor reported that they do look for fraud as part of their work and any concerns are flagged up, but responsibility rested with management. The Deputy Chief Executive report that staff awareness is raised through the Fraud Policy and suggested making fraud training part of the management passport.

Arising from the discussion it was noted that fraud could take many forms, such as misappropriation of assets, or people going off sick to do a second job. **Action:** The Senior Leadership Team was asked to specifically consider the exposure to fraud risk as part of its risk management and risk assessment processes. The Committee suggested a fraud risk assessment, identifying the different types of fraud and where it was most likely to occur, with the response proportionate to the risk. It was reported that ahead of each Risk Management Committee, which meets termly, departmental heads are asked if there are any fraud risk or any fraud to report as part of their review of their departmental risk register.

14. **Fraud Policy**

14.1. 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.

14.2. CIC/AR/23/3/20, Fraud Response Policy, was received, considered and APPROVED.

15. **Health and Safety**

15.1. CIC/AR/23/3/21, Minutes of the Health and Safety Committee meeting held on 13th November 2023, was received and noted.

15.2. CIC/AR/23/3/22, Health and Safety Committee Annual Report 2022/23, was received and noted.

16. **Review of Scheme of Delegation – approval of policies**

CIC/AR/23/3/23, Review of Scheme of Delegation – approval of policies, was received and considered. It was agreed that the CCTV Policy should be approved by this Committee. Subject to this amendment, the scheme of delegation was approved for recommendation to the Board.

17. **Review of Meeting**

The Committee reviewed the effectiveness of the meeting and agreed the items to be referred to the Board.

18. **Date of next meeting**

Thursday, 14th March 2024 at 4.30pm at the Colchester campus.

19. **Any other Urgent Business** - There were no items.