

**Minutes of the Audit and Risk Committee held on Thursday 6th December 2018 6:00 pm  
Boardroom, Science Park Campus, Cambridge**

**MINUTES**

**Present** Andy Jennings [Chair]  
Raj Kumar  
Judith Coplowe  
Barry Fyfield

**In attendance** Derek Sharp, Deputy Principal  
David Hoose, Mazars Ltd  
Lee Glover, Haines Watt  
David Long, Haines Watt

**Clerk** Emily Baldwin

Section 1: General		
1.1	Apologies for absence	There were no apologies for absence.
1.2	Declaration of Interests	There were no declarations of interest.
1.3	Matters that are confidential	<p><i>Staff members left the meeting</i></p> <p>The internal and external auditors confirmed that there were no confidential matters that they needed to raise with Governors. Both internal and external audits had gone smoothly.</p> <p>Governors asking about the College's exposure to iMET losses. The external auditor confirmed that the 2017/18 accounts covered the build phase only. Going forward, liabilities would be split 50:50 with Peterborough Regional College (PRC). It was noted that there could be scope for an internal audit on iMET in the future as part of a joint review with PRC.</p> <p>Governors asked auditors how robust they felt the assumptions were in the financial accounts. It was important to understand whether the College was being too ambitious in its financial forecasts. This was particularly the case with apprenticeships. The auditors confirmed they had seen no reason to question the assumptions. It was noted that the budget needed to be flexible.</p> <p><i>Staff members joined the meeting.</i></p>

1.4	Minutes of the meeting held on 21 <sup>st</sup> May 2018 and matters arising	<p>The minutes were agreed to be a true record of the meeting and signed by the Chair.</p> <p>It was agreed that M Horan would be invited to the next Committee meeting in March 2019.</p> <p>It was noted there were no outstanding actions that were not covered elsewhere in the agenda.</p>
<b>Section 2: Committee business</b>		
2.1	Risk Register 2018/19	<p>D Sharp introduced the latest version of the Risk Register.</p> <p>The Risk Management Group, including members of the Senior Management Team had reviewed and updated the Risk Register in October 2018. It had also been amended to take account of comments from other Committees.</p> <p>A summary of the high concern risks had been brought to the front of the sheet as requested by Corporation. These were identified as:</p> <ul style="list-style-type: none"> <li>• Failure to maximise levy funding and income levels</li> <li>• Failure to improve apprentice success rates</li> <li>• Financial consequences arising from low enrolment numbers</li> <li>• Financial consequences from non-delivery of the iMET business plan</li> </ul> <p>R Kumar asked about the status of the iMET business plan. D Sharp confirmed that the business plan had been approved at the time of the merger. The break-even timetable was three years.</p> <p>Governors asked when it was likely that the College's position on apprenticeships would be amber, rather than red. The Principal said that the national picture was not promising, with the number of apprenticeships nationwide down by 40%. Although the College was performing better than most other colleges, it was unlikely to move from a red rating for the remainder of 2018/19. Governors asked whether this position was reflected in the assumptions in the budget. D Sharp confirmed this was the case. One of the key challenges was recruiting staff to support apprentices in certain sectors such as construction. B Fyfield stated his understanding that some HR institutions were rebadging degrees as apprenticeships in order to use the levy funding. The Principal agreed that this was an issue and was being looked at by Ofsted.</p> <p>Committee members agreed that the introduction of a front page with fewer corporate risks was useful. D Sharp agreed to correct an error in the impact scoring for the risk around value-added. The Principal informed Governors that the College now had positive value-added for some levels, which was a real improvement for the College.</p> <p>The Committee <b>approved</b> the Risk Register.</p>
2.2	GDPR update	<p>C Hoyes introduced the GDPR update.</p> <p>This was the first update to the Committee since the new data protection requirements came into force.</p>

		<p>She confirmed that the College had put in place all necessary policies and procedures to ensure compliance with the new requirements. The College continued to focus on staff training and ensuring appropriate tracking systems were in place.</p> <p>There had been 6 formal data protection requests since May 2018, which had been dealt with appropriately. These had not posed any particular issues.</p> <p>There had been 25 issues recorded on the data breach register since May 2018, most of which have been minor breaches or 'near misses'. The Information Commissioner's Office had been contacted twice for advice, but on both occasions had advised that there was no need for the College to report formally.</p> <p>C Hoyes was asked whether these breaches could have been avoided. She confirmed that some were a result of incidents that could not necessarily be foreseen, such as laptop theft or human error in sending information. It was difficult to eradicate all risk of such incidents, but the College was looking to minimise the likelihood of such incidents happening. Governors asked how the use of IT was being policed. Staff use of IT was set out in College policies and procedures, although not necessarily in employment contracts.</p> <p>Governors agreed that it seemed a very comprehensive approach to GDPR and was reassuring that any breaches seemed to be picked up quickly. They supported C Hoyes in her approach to continuing to raise awareness amongst staff and ensuring staff had the right tools to carry out their jobs.</p> <p>They agreed that it would be interesting to see how many breaches were being reported by other Colleges when that data became available.</p> <p>Committee members <b>received</b> the report, and agreed an update be presented to the Committee on an annual basis.</p>
2.3	Anti-slavery statement	<p>L Kerry introduced the anti-slavery statement.</p> <p>She explained that the College was required to produce a statement for publication on the College website by end of January 2019. The main risk areas for the College were in recruitment and procurement. Existing policies were deemed to be appropriate.</p> <p>Governors asked how the College was able to check its supply chains. Checks were carried out to ensure suppliers had their own policies in place in order to minimise the risk of modern slavery practices.</p> <p>SMT were still considering appropriate KPIs to monitor the policy. L Kerry confirmed that the policy was jointly owned by HR and the Finance team.</p> <p>The Committee <b>recommended</b> the statement to Corporation for approval.</p>

### Section 3: Annual Reports 2017/18

3.1	2017/18 Financial Statements Audit	<p>D Sharp introduced the Financial Statements 2017/18.</p> <p>It was noted that the Statements had already been to F&amp;R Committee for discussion. There were still some minor changes that would be made prior to Corporation subject to the auditor's findings.</p> <p>The external auditor confirmed that it had been a clean audit process, with no significant findings that needed to be brought to the Committee's attention. One new requirement for disclosure in the Accounts was Trade Union Facility Time which had been included for the first time.</p> <p>Committee members discussed the College's pension schemes and asked about the level of exposure to the College of rising contributions. It was noted that this was being kept under review. Rising contributions were likely, but it was difficult to predict at this stage. The auditors had concluded that the actuarial assumptions used by the AOC with regard to salary growth were not reasonable. However, the difference was not material.</p> <p>There had been no issues in terms of the regularity assurance. A confidential item was taken which is minuted separately.</p> <p>Governors commended the finance team on their work on the accounts resulting in a clean audit the first year after merger.</p> <p>The Committee <b>recommended</b> the CRC Financial Accounts 2017/18 to Corporation for approval and signing of the Regularity Audit Self-Assessment Questionnaire by the Chair of Corporation and the Principal.</p>
3.2	Teachers' Pension Audit YE 31 March 2018	<p>The Committee <b>received and noted</b> the Teachers' Pensions Contributions for the year ended 31<sup>st</sup> March 2018, and noted the College's external auditors' no qualification opinion.</p>
3.3	CRC Audit and Risk Annual Report 2017/18	<p>The Clerk introduced the Audit and Risk Annual Report 2017/18 for CRC which would be presented to Corporation in December 2018. It was also a requirement that a copy of the report be submitted to the funding body with the annual accounts.</p> <p>The report took into account guidance set out in the Code of Good Governance for English Colleges. This recommended that the annual report included a statement on assurance on the quality of data, which had been included for the first time in the report.</p> <p>CRC's Report was supported by the Internal Auditor's Annual Report, which had provided assurance that CRC had adequate and effective risk management, governance and control processes in place.</p> <p>Governors noted the other sources of positive assurance in the report.</p> <p>The Committee <b>approved</b> the Annual Audit Committee Report to Corporation.</p>

## Section 4: Internal audit reports

4.1	Performance management audit	<p>L Glover introduced the findings of the internal audit on Performance Management.</p> <p>The internal audit had substantiated the accuracy of the data provided to the Governing body.</p> <p>One of the recommendations was around the presentation of information to Governors. The internal auditor had recommended set criteria for red, amber and green status. Management had asked to continue to use flexibility in applying the RAG ratings.</p> <p>Different views were expressed by Committee members. J Coplowe said it was important to set achievable targets in order to motivate staff to work towards them. A Jennings said that while he accepted the internal auditors' point that it was important to understand the basis of RAG ratings, he also wanted his attention to be drawn to the results that were of most concern. It was agreed that Corporation needed to understand why a KPI had been set at a particular level. It was agreed that this would warrant a broader discussion at Corporation.</p> <p>The Committee <b>received</b> the report.</p>
4.2	Work experience and HR/payroll audits	<p>L Glover introduced the findings of the internal audits on HR and payroll, and on work experience.</p> <p>Both had been positive reviews, with only 1 low priority recommendation for HR/payroll which had already been implemented, and 2 low priority recommendations for work experience. Governors noted that the audit on work experience gave them assurance that processes were getting into position for the introduction of T-levels.</p> <p>The Committee <b>received</b> the report.</p>
4.3	Financial controls (core financial systems)	<p>D Hoose introduced the findings of the audit of Financial Controls.</p> <p>Mazars had awarded the College substantial assurance on the effectiveness of internal controls, with just 1 significant and two housekeeping points.</p> <p>It was noted that the significant recommendation related to the changing of supplier details. This action had previously been implemented, but there was no evidence of this. Changes to the supplier form meant that this was now evidenced.</p> <p>Committee members <b>received</b> the report.</p>
4.4	Progress report on outstanding audit recommendations	<p>E Baldwin introduced the report on outstanding audit recommendations.</p> <p>As part of their internal audit programme, the internal auditor had assessed a sample of past recommendations to verify that they had been completed by the due date and communicated appropriately to the Committee. They had determined that two actions from an earlier international review were still partly outstanding.</p>

		<p>D Sharp explained that one of the actions relating to a separate procedure for international had been superseded as international business was now subject to the same Financial Regulations as the remainder of the business. Committee members agreed that this action had now been superseded and could be removed. They also agreed that the remaining international action have an extended deadline to July 2019.</p> <p>E Baldwin explained that the spreadsheet used to track internal audit actions had been streamlined. Explicit approval from the Audit and Risk Committee would be sought if an action was to be removed or the deadline extension.</p> <p>On this basis, the Committee agreed to extended the deadline for various actions as requested in the paper.</p> <p>The Committee <b><u>received</u></b> the report.</p>
<b>4.5</b>	Internal audit plan and strategy 2016/17 – 2020/21	E Baldwin introduced the internal audit plan for 2018/19. It was noted that the internal auditors had completed two audits as per the schedule. It was suggested that the audit on marketing be postponed until the next year. Instead, the audit on curriculum planning scheduled for 2019/20 was brought forward. The Committee <b><u>agreed</u></b> with this proposal.
<b>Section 5: Committee business</b>		
<b>5.1</b>	<b>Any other business</b>	The Clerk alerted Governors to the fact that the external auditors had completed the last year of their contract, and therefore there would be tender process for new external auditors in early 2019.
<b>4.4</b>	<b>Self-Assessment of Governors' Performance</b>	<p>In order to evaluate the meeting and identify any changes necessary to maintain the effectiveness of the Committee, the Chair asked how the meeting could be improved.</p> <p>Governors agreed it had been a useful meeting.</p>
<b>4.5</b>	<b>Date of next meeting</b>	The date of the next meeting was 14 <sup>th</sup> March 2019

## Summary of Actions

21 <sup>st</sup> May 2018 Committee meeting				
	Item	Action	Lead	Date
1	Briefing – risks in employment services	M Horan was rescheduled to the next meeting.	M Horan	March 2019

6 <sup>th</sup> December 2018 Committee meeting				
	Item	Action	Lead	Date
2.3	Anti-slavery statement	The Committee <b>recommended</b> the anti-slavery statement to Corporation for approval.	L Kerry	Dec 2019
3.1	Financial statements 2018/19	The Committee <b>recommended</b> the CRC Financial Accounts 2017/18 to Corporation for approval and signing of the Regularity Audit Self-Assessment Questionnaire by the Chair of Corporation and the Principal.	D Sharp	Dec 2019
3.3	Annual Audit Committee Report 2017/18	The Committee <b>approved</b> the Annual Audit Committee Report to Corporation	Chair	Dec 2019

There was no other business and the meeting ended at 7:40pm.