

**Minutes of the Audit and Risk Committee held on Monday 7th December 2020 6:00 pm
Virtual meeting**

MINUTES

Present

Judith Coplowe [Chair]
Raj Kumar
Andy Jennings
Nichola Harrison

In attendance

Derek Sharp, Deputy Principal
Michelle Dowse, Deputy Principal (for item 4.1)
David Hoose, Mazars Ltd
Lee Glover, 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	The internal and external auditors confirmed that there were no confidential matters that they needed to raise with Governors. <i>D Sharp joined the meeting.</i>
1.4	Minutes of the meeting held on 2 nd June 2020 and matters arising	The minutes were agreed to be a true record of the meeting. It was noted there were no outstanding actions that were not covered elsewhere on the agenda.
Section 2: Committee business		
2.1	Risk Register	D Sharp introduced the latest version of the Risk Register. The Committee noted that there was a separate Risk Register to cover the particular risks arising as a result of Covid-19 which had been circulated to the Committee. A new risk had been added around finalising an agreement for the disposal of the iMET building. Governors asked for clarification on the status of discussions, and noted that an agreement had been reached for the College to take ownership of the equipment. It was noted that any decision on the disposal of the iMET building would come to Corporation for approval and in

		<p>the event agreement was made prior to the Financial Statements being signed, would feature as a post balance sheet event.</p> <p>Governors noted that the risk regarding health and safety legislation had changed to red. This was due to the retirement of the existing Health and Safety Officer who was highly experienced. Interviews for a replacement were underway.</p> <p>Governors asked for more information on the risk around the apprenticeship success rates and the identified issue with the systems. It was noted that the Smart Assessor system required upgrading in order to link appropriately with other internal systems. At the moment, it remained a manual process to import information.</p> <p>D Sharp agreed to amend the overall risk ratings which had not been updated appropriately.</p> <p>The Committee approved the Risk Register, subject to minor amendments.</p>
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Section 3: Annual Reports 2019/20

<p>3.1</p>	<p>2019/20 Financial Statements Audit</p>	<p>D Sharp introduced the Financial Statements 2019/20. It was noted that the Statements had already been to F&R Committee for discussion which had made some suggestions regarding further clarification on Ofsted, iMET and valuations.</p> <p>D Sharp drew attention to the Statements of comprehensive income and expenditure. The College's Local Government Pension Scheme had been revalued which had resulted in a £9m increase in liability. This had affected the College's bottom line in Income and Expenditure. Other adjustments included the sale of the land at Huntingdon and the write-off of iMET.</p> <p>D Sharp explained that the College would have technically fallen below the requirements of one of the bank covenants regarding the College's debt position. However, the bank had given the College a waiver for a year due to Covid-19, but this would need to be reassessed for 2020/21.</p> <p>Governors asked about the land revaluation and whether this was a clean valuation. D Sharp confirmed that there were no unusual disclaimers in the valuation. Governors noted that there still appeared to be high demand in Cambridge for office space despite Covid-19.</p> <p>Governors asked for a further breakdown regarding the reduction in operating expenses. D Sharp confirmed that there had been some savings in the lockdown period due to a reduction in materials for delivering the curriculum, cleaning and buses. There had also been a reduction in some subcontracting costs. Governors asked whether there were any implications of this for 2020/21 and D Sharp confirmed that there would not be, partly due to an increase in capital funding for the College. Governors asked about the staff costs, and noted that the College made use of agency staff for high needs provision.</p> <p>Governors discussed the pensions liability and noted that it was set externally and was dependent on a number of assumptions. Technically it could reduce</p>
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in the future. Contributions had remained stable as these were set for three years. The costs associated with the Teachers' Pension Scheme had increased substantially but these were currently being funded by the ESFA. The Committee agreed that pension costs were a concern for the sector as a whole.

The Committee discussed the staff cost ratio. It was higher this year, due to a fall in income. The College had reduced some costs but was unable to do so proportionally due to restrictions on the furlough scheme. The forecast for the current year was 69%, but this was partly dependent on international income. The sector average was currently 68% and reflected rising pension costs. The College had consciously invested more in quality this year in response to the Ofsted inspection.

There were still some minor changes that would be made prior to Corporation subject to the auditor's findings.

A Jennings pointed out some minor corrections needed to tables.

D Hoose introduced his Audit Committee Report. Key points included:

- Pension revaluation was an issue at a number of Colleges and he had seen significantly higher revaluations in the sector; following a question from a Governor, he confirmed that he was comfortable with the level of pension valuation
- Some of the changes to this year's accounts reflected the requirements of the Office for Students
- The audit had gone smoothly and there were no significant issues that he needed to bring to the attention of the Committee.
- There were some minor areas for clarification before the final version
- The dissolution of iMET had been accounted for, but the transaction for disposal of the property had not been completed although was largely neutral.
- There were some minor recommendations regarding internal controls.

D Hoose agreed to look at the wording around irrecoverable debt, as it was noted that the College was still in negotiations with local authorities regarding high needs funding and was likely to be resolved.

Governors asked about the recommendations around student debt and whether it was a serious issue. The auditor confirmed that progress had been made, but there was still some work to be done so had been included in the report.

Governors asked about the level of duplicate payments and whether the College should focus on this area. It was noted that it was not necessarily an area of high risk but should continue to be monitored. D Sharp agreed to talk to N Harrison outside the meeting about the issue.

E Baldwin reported on the regularity self-assessment. The assessment included additional questions on how the College had responded to Covid-19. Governance procedures had all continued as normal, and the College had continued to pay suppliers and make use of the furlough scheme appropriately. Financial regulations had been followed during the lockdown

		<p>period. The Committee were comfortable with the statements in the self-assessment.</p> <p>The Committee recommended the CRC Financial Accounts 2019/20 to Corporation for approval, subject to agreed adjustments and editing, 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 2020	The Committee received and noted the Teachers' Pensions Contributions for the year ended 31 st March 2020, and noted the College's external auditors' no qualification opinion.
3.3	Annual Report of the Audit and Risk Committee	<p>The Clerk introduced the Audit and Risk Committee's Annual Report 2019/20 for CRC which would be presented to Corporation at their meeting on 16th December 2020. It was also a requirement that a copy of the report be submitted to the funding body with the annual accounts.</p> <p>The Clerk agreed to make some minor corrections to the report, including the inclusion of meeting dates and reference to governors attending meetings.</p> <p><i>D Hoose left the meeting.</i></p> <p>It was noted that the Audit and Risk Committee's Annual 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 asked the extent to which the conclusions took into account the move to remote teaching and learning. The auditors said it only did so in so far as the individual audits covered that area, such as in the attendance monitoring audit. It was noted that Ofsted had looked at that area in their recent visit and had been satisfied with how the College had approached online teaching.</p> <p>Governors asked about auditor costs. It was noted that more senior staff had been used than originally planned due to the expertise of those staff members on particular audits, but this cost had not been passed onto the College.</p> <p>The internal auditors confirmed that there had not been any issues raised in the external auditors' report that would require them to change their conclusions.</p> <p>The Committee agreed to confirm whether any further additions to the report were needed after discussion of internal audits under item 4.1.</p> <p>The Committee approved the Annual Audit Committee Report to Corporation, subject to agreed minor amendments.</p>
Section 4: Internal audit reports		
4.1	Internal audits	<p>L Glover introduced the findings of the internal audits:</p> <p>Information Governance Health Check</p>

Governors noted the Information Governance internal audit. It was noted that adequate assurance had been provided by Haines Watts with regard to the design and effectiveness of controls, with 3 low, 2 medium and 1 high priority recommendations which had been agreed.

D Sharp said it been a really helpful audit with some useful technical suggestions that were being implemented.

Governors asked about the number of computers that the College had. It was noted that it was nearly 4000 staff and student devices. All staff laptops had appropriate level of security of Windows 10.

Governors asked whether the College budgeted sufficiently for IT upgrades. D Sharp drew attention to the recent capital funding. It was important not to be in a position when all IT needed to be upgraded at the same time, but to ensure it was appropriately planned. In some cases, computers could be upgraded rather than replaced. The College looked at learner feedback to ensure that priority was given to those areas that particularly required high specification IT equipment for the curriculum.

M Dowse joined the meeting.

Attendance monitoring

Governors noted the internal audit on attendance monitoring. Substantial assurance had been provided with one low priority recommendation which had been agreed. Governors welcomed the report as it had been identified as an important area for the College.

Key financial controls

Governors noted the internal audit on key financial controls. Adequate assurance has been provided, with 3 low, 2 medium and 2 good practice priority recommendations which have been agreed.

D Sharp was asked if there were any surprises in the report for his team. He had accepted all the recommendations. He said he not foreseen the issue of a lack of quotations to be raised, as his understanding was that College staff did undertake this. There might have been an issue with showing evidence of this, particularly in lockdown. The Finance system was being upgraded which would allow final quotations to be centrally stored.

Subcontracting controls

The ESFA require all lead providers that subcontract more than £100,000 of their funded provision to obtain a report from an external auditor on the arrangements in place to manage and control subcontracted activity. The internal auditors had concluded that the College had suitable arrangements in place to materially comply with the funding bodies' subcontracting requirements. Given the scope of the work, an overall audit opinion was not provided. There were four recommendations which have been accepted.

Governors asked how far the College used specialist sub-contractors, which might require specific business continuity plans in the event they went into liquidation. D Sharp confirmed that the current sub-contractors were not viewed as particularly specialist and therefore of lower risk.

		<p>In response to a question from R Kumar, the auditors confirmed that they had reviewed the due diligence process in place for sub-contractors and had not raised any issues.</p> <p>Cyber-security – self-assessment D Sharp informed the Committee that the ESFA now requires Colleges to declare that they meet the requirements of the Cyber Essentials scheme for the 2020/21 funding year. This requires the completion of a self-assessment form which is assessed by Cyber Essentials. The College had received a certificate of assurance to show compliance with the scheme.</p> <p>Safeguarding The auditors reported that substantial assurance has been provided for the safeguarding audit, with 2 low priority recommendations which have been agreed. Governors agreed this was an excellent outcome and thanked M Dowse and her team for their hard work in the area.</p> <p><i>M Dowse left the meeting.</i></p> <p>Follow up The internal auditors introduced their follow-up audit. Adequate assurance had been provided, with 3 low priority recommendations which had been agreed.</p> <p>As a result of an assessment of the internal audits, the Committee discussed whether they wished to make any amendment to their Annual Report or make any further comment in the Financial Statements. It was agreed that no adjustments were needed.</p> <p>The Committee received the report.</p>
4.2	Progress report on outstanding audit recommendations	<p>D Sharp introduced the report on outstanding audit recommendations.</p> <p>The Committee's gave permission to extend the deadline for completion for two actions.</p> <p>The Committee agreed to remove the outstanding recommendation on data transfer between the curriculum planning and EBS systems. It was noted that manual transfers were robust, and that it was viewed as too costly to automate at the current time. The manual process did not represent a loss of control.</p> <p>The Committee agreed to remove the outstanding recommendation on the VLE as this had now been superseded by the roll-out of online learning.</p> <p>The Committee noted that the Clerk had requested evidence for completion of actions, and that actions would only be marked as complete when she was satisfied that she had received the evidence.</p> <p>The Committee received the report.</p>
4.3	Internal audit plan and strategy 2020/21	<p>E Baldwin introduced the internal audit plan for 2020/21.</p> <p>It was noted that all of the planned internal audits for 2019/20 had been completed, with the exception of the audit of the International Office which had been postponed due to Covid-19.</p>

		<p>The internal audit plan for 2020/2021 was discussed. It was noted that this was based on a discussion at the summer Audit and Risk Committee and a follow-up meeting between the Committee Chair, the Clerk, D Sharp and the internal auditors. The proposed audits for 2020/21 were:</p> <ol style="list-style-type: none"> 1. Health, Safety & Wellbeing (focus on safeguarding – completed) 2. Staff Appraisals 3. Apprenticeships 4. Pro-Monitor 5. Employer Engagement 6. Resilience & Secure Use of IT 7. Subcontracting certification 8. Budgetary or Financial controls <p>Governors discussed whether the internal audit plan should include budgetary controls or financial controls. Given that the College was on essential spend, it was concluded that it would be more appropriate to focus on financial controls. However, the Committee asked the internal auditors to have a particular focus on counter-fraud measures.</p> <p>The Committee agreed the internal audit plan 2020/21.</p>
Section 5: Committee business		
5.1	Appointment of external audit services for 2020/2021	Mazars had been appointed as external auditors for a three-year period from 2019/2020, subject to being reappointed by the Audit and Risk Committee on an annual basis. The Committee agreed to recommend their reappointment for 2020/2021.
5.1	Any other business	There was no other business.
5.2	Self-Assessment of Governors' Performance	<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 and productive meeting.</p>

There was no other business and the meeting ended at 8:00pm.