# THE SIXTH FORM COLLEGE - COLCHESTER
## Minutes of the Audit Committee Meeting No 61
## 23rd November 2018

**Chair:** Andy Beatty

**Present:** Michael Sherer, John Owens

**In Attendance:** Elizabeth Gibson (Finance Manager), Graham Rayner (Assistant Principal), Anne Johnson (Assistant Principal), Justin Smith (RSM, UK Auditors), Nick Gerrard (Finance Lead Governor), Tim Harrison (Director of Premises, Estates, and Facilities).

**Clerk** Tina Johnson

**61.1 Apologies for Absence**

Peter Barker - committee member
Chris Goldsworthy - observer

**61.2 Any Other Business**

None.

**61.3 Declarations of Interest**

There were no declarations of interest.

**61.4 Determination of Confidential Items**

Agenda No. 61.13 Audit Committee's Self-Assessment
Agenda No. 61.14 Appointment of Auditors

**61.5 Minutes of Meeting No. 60 held on 11ᵗʰ May 2018**

The minutes were agreed and signed as a true record.

**61.6 Matters Arising**

61.6.1 60.6.1 Unused Bank Accounts
The two unused bank accounts have been closed.

61.6.2          60.6.1   <u>Fraud, Corruption and Anti-Bribery Policy</u>

The Finance Manager informed the meeting that in order to ensure consistency across relevant college policies and procedures, the Fraud, Corruption & Anti-Bribery policy will be considered alongside the Whistle Blowing policy and Financial Regulations. It was agreed that the aforementioned policies and the Financial Regulations should be circulated for governor comment during the spring term. Final approval will be sought at the relevant meeting.[1]

***Action: EGi/Clerk***

61.6.3          60.6.4   <u>Information Security & Recovery Plan</u> (including IT Disaster Recovery)

The IT information security and disaster recovery plan, circulated in advance of the meeting was considered. In response to questions raised at the last meeting, the College's Director of Premises, Estates, and Facilities provided governors with an overview of the processes and procedures currently in place including:

- Security: unique user identification & passwords, encryption, anti-virus software and cable and Wi-Fi security measures are in place. Wi-Fi access points are controlled by a central server to prevent 'hi-jacking'.

- Internet access: all internet access is monitored both by the College ( SmoothWall) and by Ja.Net. Within College, any 'unusual' activity is reported to two Assistant Principals who also 'test' the levels of 'filtering 'regularly. Any attempt to access extremist sites will, in addition be picked up by Ja.Net and directly reported to the College and the appropriate authorities. The College maintains a backup connection via Virgin Media which can take over from the Ja.Net connection as required (although there may be some initial loss of service).

- System resilience: the College is moving from 2 clusters of 5 servers to 3 clusters of 4 servers, alongside the installation of a new server room. Should it be required the network will be able to run on any two of the clusters without loss of service. If two of the clusters are lost the network will fail until either the servers are reconfigured or the clusters reinstated.

- Distribution of backups: all data is stored in multiple locations to minimise the risk of any data loss, due to power/equipment failure. Backups are taken on a daily basis with copies held in two locations. Each backup centre can restore the entire network (additional hardware may be needed in order to run at full capacity should two of the three clusters become unusable). Staff are advised to back up their teaching material independently and encouraged to use external systems such as Dropbox. Email systems are delivered externally by Microsoft via Office 365.

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[1] Or by electronic resolution if a suitable meeting cannot be identified.

- Email filtering: filtering systems are considered to be very effective - 95% of all emails do not get 'past' the spam and virus firewalls. Emails are also monitored by Ja.Net

*In response to governor questions the following points were elucidated:*

Data Recovery Strategy: governors were informed that data is stored in 2 locations with all data being available and backed up at both locations. In the event that both locations are destroyed the College would no longer have access to any data. Whilst this represents a high risk in terms of impact, managers deem the likelihood of such an event to be very small. Managers informed governors that they are confident that the College is extremely well protected against external malicious intent however, internally there is a potential vulnerability.[2]

In response to governor concerns re the potential for 'risk' to be under assessed, governors discussed with managers the viability of purchasing cloud based storage. It was noted that following the anticipated upgrade to Veeam, Microsoft Cloud Storage may become a viable option (anticipated to cost iro £12k per year plus the cost of upgraded or new hardware). Governors expressed the view that although they would not want to be the College to be the 'tester' of any new cloud based communication/storage system, an expenditure of £12k a year appeared to be a pragmatic and value for money expense.

It was agreed that an update would be given at the next meeting re the Veeam upgrade and the outcomes of the investigations undertaken re procuring cloud based storage*.*

Governors thanked the Director of Premises, Estates, and Facilities for his informative report.

*2.10pm T Harrison left the meeting*

61.6.4  60.6.5 GDPR Readiness Review

The readiness review was undertaken by RSM on 11.09.2018 (final findings report received 22.11.2018). It was agreed that the findings report should be discussed at the next meeting, alongside a management update /report on actions taken.

**Action: Finance Manager/Clerk**

**61.7**  **Annual Accounts for 2017/18 Year (Financial Statements)**

It was noted that the committee's terms of reference delegate to the committee the function of scrutinising the annual accounts, prior to presentation to the Governing Body for approval and signing.[3]

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[2] Students do not have access to MIS, HR or Finance. Staff have limited access to MIS- no access to HR or Finance.
[3] Terms of reference agreed by the Governing Body July 2018

Completion of the ESFA finance record shows that the College retains its "Good" financial health grade for the 2017-18 year.

*2.25pm N Gerrard left the meeting*

The Finance Manager confirmed that there were no adjustments to the draft Management Accounts, arising from the 2018 external audit.

There were no matters arising from scrutiny of the reports and no amendments were requested.

**The committee unanimously agreed to recommend approval of the Financial Statements for the year ended 31st July 2018 to the Governing Body**.

*Action: Finance Manager/Clerk*

**61.8**      <u>**External Auditor's Final Findings/Report**</u>

It was noted that the year-end indicative audit timetable had been presented to the Audit Committee via email. No matters arising had been identified.

61.8.1      <u>Self-Assessment Questionnaire</u> (Regularity & Propriety)

Governors were reminded that the Regularity Audit Self-assessment Questionnaire (SAQ) must be 'be considered at an appropriate committee of the College <u>before</u> the commencement of the final Audit'. The signed SAQ was therefore presented and approved at the Governing Body meeting held on 17th September 2018.[4]

61.8.2      <u>External Auditors' Final Audit Findings</u>

The Auditor took the Committee through the report detailing the audit findings (covering both the Financial Statements Audit and the Regularity Audit).

The following points were elucidated:

*Pg. 2 - Introduction*
The Auditor confirmed that no anticipated modifications to the pro-forma audit reports, provided in the Audit Plan and the Regularity Assurance report (previously circulated), are envisaged.

*Pg. 3 - Audit, Accounting and Regularity* (issues identified at planning stage)
The Auditor reported that 'nothing of any major concern had been identified' at the planning stage.

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[4] The SAQ includes the College's policies and responses on the matters of Fraud, Whistle-Blowing and Regularity.

*Pg. 8 – Internal Controls*

The Auditor informed the meeting of that no 'significant deficiencies' in the internal controls were identified through the audit and regularity work. Governors noted the four areas identified for potential improvement to enhance the overall effectiveness of the internal control systems relating to: Governing Body membership published on the College website, internally generated income, data backups, and the costs incurred due to the apprenticeship levy. The management responses to each of the aforementioned areas were noted. In response to governor questions the following points were explicated:

Apprenticeship Levy

Governors noted the Auditors recommendation that the College '*continue to review its current training and recruitment processes and procedures to identify areas where it would be beneficial to employ apprentices and therefore access the Levy funds which have already been paid*' During the year the College paid £40k in respect of the Apprenticeship Levy and there is a risk that this could become an additional cost to the College with no benefit. However, the apprenticeship levy can be used up to two years from date of deduction, therefore in a two year period the College is likely to have £80k of levy contributions that it could use to train and develop staff members.

In response to the auditor's comments, the Assistant Principal [Curriculum & Quality Assurance] informed the meeting of the difficulties faced by the College re the identification of suitable apprenticeships. It was noted that the College is clear that when a vacancy is identified an apprenticeship would be the preferred recruitment option however, the majority of the College's recruitment is for teaching staff and currently there is no approved teaching apprentice standard.[5] In addition, as the Government requires apprenticeship employees to be working a full year - the majority of the College's support staff are employed on a term time contract and therefore identifying suitable apprenticeships is problematic.

The College has identified two suitable post 16 education apprenticeships i) library apprenticeship ii) Senior Leader Masters Degree Apprenticeship - 2 members of staff have enrolled and therefore it is anticipated that some of the Levy will be recouped.

*Pg.10 - Significant Findings - Accounting Policies & Estimates and Disclosures*

(i) Accounting Disclosures

Two minor disclosure matters (expenses for student bus passes and strike pay) reflected in the Financial Statements, were brought to the attention of the Committee.

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[5] The standard that has been developed is for pre 16 teaching and does not apply to the College. The College currently has 4 teacher trainees - if a teaching standard for post 16 education is approved the College may be able to reclaim some of the apprenticeship levy.

The Auditor reported that there were no significant difficulties identified or encountered during the course of the audit. The Auditor and governors thanked the Finance Manager and her team for facilitating a smooth audit.

There were no other questions arising from the Audit Findings report.

**Approval of the Audit Findings Report was given on behalf of the Governing Body**

**61.9**      **Risk Management  (Board Assurance Map, Risk Register and Disaster Recovery Plan)**

61.9.1      (i)      Risk Management Annual Report

Assistant Principal [Health & Safety, Assessment & Reporting] provided governors with an overview of the risk management arrangements in place for the College.

61.9.2      (ii)      Board Assurance Map (BAM)

The BAM illustrates the sources of assurance following the decision not to appoint internal auditors. There were no risks identified that required remedial action and no concerns were raised. Four areas were highlighted;

- Identification and addition to the register of the risk; '*Difficulties arising from the failure to secure data*'. The risk, calculated to have gross risk score of 18 (maximum score obtainable) and a net score of 6, added to the register due to requirements of the GDPR and the potential for institutions to be heavily fined should a data breech occur.

- An increase to the net risk for 'failure to deploy staff effectively and efficiently, linked to the need to further reduce staffing levels (due to funding decreases and cost increases) and the consequential impact of teachers having to teach 'outside' of their first specialism.

- Failure to meet planned student numbers – despite the demographic dip, enrolment data shows that the College has again increased its market share of 16 year olds locally.

- Reference to Academisation has been retained within the risk ' *Failure to oversee the College's strategic direction including failure to monitor and mitigate against central government 16-19 education policy imposing or influencing significant changes to College structure, strategy and operations, either directly, through Academisation, or indirectly*.

Governors agreed that the risks faced by the College are, as far as possible, well controlled.

| 61.9.3 | (iii) <u>Disaster Recovery Plan</u> |

It was noted that all governors are issued with a copy of the comprehensive Disaster Recovery Plan (DRP) via SharePoint and also as hard copy.[6]

The committee thanked the Assistant Principal for his comprehensive report.

| **61.10** | **Annual Report on Internal Control Systems & Consideration of Internal Control Requirements** |

| 61.10.1 | The annual assurance pro-forma *[Annual Report on Internal Control Systems]* completed by managers, certifying that the internal control systems, set up to enable governors to ensure the effective and efficient use of resources, solvency of the College and the safeguarding of its assets, have operated during the year without any material changes to the relevant systems, was considered. |

**After due consideration it was agreed that a recommendation not to appoint internal auditors for the 2018/19 year should be placed before the Governing Body.**

*Action Finance Manager /Clerk*

| 61.10.2 | In the context that the Committee had previously agreed that additional testing on Internal Controls should take place (on a five year rolling programme) it was agreed that the area of IT Data Security should be kept under consideration. The matter will be discussed further at the next meeting. |

*Action: Committee members/Clerk*

| **61.11** | **Audit Committee's Annual Report 2017/18** |

The Finance Manager presented the Committee's draft Annual Report for the 2017/18 year.

**It was unanimously agreed that the Audit Committee's Annual Report for 2017/18 should be presented to the Governing Body meeting to be held on December 13th 2018.**

*Action: Finance Manager /Clerk*

*2.45pm E.Gibson, G.Rayner & A Johnson left the meeting.*

| **61.12** | **Committee Self-Assessment Review / Questionnaire** |
*[see also confidential minute 23.11.2018]*

The committee self-assessment questionnaire, circulated in advance of the meeting had been completed by committee members. An anonymised summary of responses was tabled for governor consideration. Overall committee performance was graded as **'good'**.

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[6] *One change to a governor's contact details was requested*

*3.10pm J.Smith left the meeting*

**61.13**     **Reappointment of External Auditors**

After due consideration it was agreed **to recommend to the Governing Body the re-appointment of RSM UK as external auditors to the College for one year subject to an agreement of fees**.

It was agreed that in the context of the declines in College funding and how smoothly audits at the College have gone, the Finance Manager should be asked to seek a reduction in RSM's fees. A governor expressed the view that, once the reduction in the proposed audit work for 2018-19 is taken into account, any increase should be limited to 1% (above the previous year fees), another suggested that the fees proposed appeared to be reasonable.

*Action: Committee Chair/Finance Manager*

Governors agreed that the Finance Manager should be asked to undertake a regularity & financial statements audit fee benchmarking exercise.

*Action: Committee Chair/Finance Manager*

Governors also agreed that a tender process should be instigated for the 2019/20 audit. Expressions of interest will be invited from a selection of auditors (partly informed by the audit fees benchmarking exercise). Shortlisted auditors will be invited to make presentations to committee members and provide formal tender submissions immediately prior to the May 2019 committee meeting.[7]

*Action: Committee Members/Clerk/Finance Manager*

Date of the Next Meeting

A governor notified members that he was unable to attend the next meeting. In this context it was agreed that the date of the next meeting should be arranged via email.

*There being no other business the Chairman closed the meeting at 3.10pm*

Signed: ……………………………………

Dated: …………………………………….

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[7] *Evaluation of tenders will be undertaken by committee members on a date to be confirmed.*