



THE SIXTH FORM COLLEGE - COLCHESTER
Minutes of the Audit Committee Meeting No 60
11th May 2018

Chair Nick Gerrard

Present David Morran, Andy Beatty, Peter Barker

In Attendance College managers: Elizabeth Gibson, Graham Rayner, Anne Johnson
Governors: John Owens Chris Goldsworthy
Finance consultant: Allan Tucker

Clerk Tina Johnson

The Chairman opened the meeting by acknowledging the difficulties that had arisen following the last meeting including, views expressed regarding the operation of the committee and the role of the professionals that serve it. It was acknowledged that some matters remain outstanding. The Chairman called for everyone to recognise each other's professionalism, and the contribution that they bring to the committee, and urged that all parties work together to ensure the smooth running of the committee and the college.

60.1 **Apologies for Absence**

John Stenhouse, observer

60.2 **Any Other Business**

None.

60.3 **Declarations of Interest**

There were no declarations of interest.

60.4 **Determination of Confidential Items**

No confidential items were identified.

60.5 **Minutes of Meeting No. 59 held on 24th November 2017**

The minutes were agreed and signed as a true record.

60.6 **Matters Arising**

60.6.1 [59.6.2] Unused Bank Accounts

There are currently two unused bank accounts with a nil balance and zero operating costs. The Finance Manager will be discussing the accounts during a meeting with the College's bank manager due to take place in the near future. It is anticipated that the accounts will be closed. The Chair requested that action be taken as a matter of urgency given the risks (albeit small) of having the accounts remain open.

Action: EGi

60.6.2 [59.6.3] Substantive Funding Review

Anne Johnson, Assistant Principal, informed the meeting that RSM have confirmed that the action proposed in relation to the calculation and recording of learning hours (as outlined at the last meeting) will ensure that the College is compliant with the funding guidance requirements for the evidencing of planned learning hours.

It was noted that planned learning hours will need to be recalculated for the 2018/19 year due to the scheduled timetable changes and the implementation of linear courses (in all subjects).

60.6.3 [59.11.1] Fraud, Corruption and Anti-Bribery Policy

Following on from the last meeting a new policy had been drafted by the College for governors' consideration.

The Chairman informed the meeting that the policy requires further work in the context of the Clerk's advice to governors that at present the new policy is not entirely compliant with the Post 16 Audit Code of Practice or established internal policies and procedures, including the financial regulations.

The Chairman requested that the Clerk provides guidance to the College in order that a compliant policy can be produced for governor consideration.

Action: Clerk/College

60.6.4 [59.11.2] IT Disaster Recovery Plan

In relation to the recommendation that as part of the risk management assessment the College should formalise an IT disaster recovery plan and consider off-site storage of back-ups, Graham Rayner, Assistant Principal, informed the meeting that the professional opinion of the Director of Premises, Estates, and Facilities is that 'a written plan is superfluous due to the myriad of things which can go wrong and the need for these to be dealt with creatively and flexibly, as and when'.

Governors were informed that should an issue arise the College has personnel who would be able to adequately deal with any issues. A governor queried this statement - Essentially the plan is to ring the Director of Premises, Estates, and Facilities (DPEF) and the IT Manager and hope they can fix the problem? Governors were informed that additional quality assurance is provided through 'the very robust systems and securities that are in place,'

A governor expressed concern that the College's approach to IT disaster recovery suggests that other institutions and businesses do not have formalised IT disaster recovery plans. Governors recognised that having a written plan in place would not negate the risk of something happening, but it would inform the process to be followed.

Governors were advised by college managers that the DPEF has given assurance that a written disaster recovery plan is not required. It was suggested that in order to provide governors with the reassurance they were seeking, the DPEF could be asked to attend the next meeting of the committee in order to brief governors on the recovery protocols. Governors reiterated their concern that a verbal protocol is not wholly acceptable; a fully considered and testable plan is required (to a predetermined degree of failure).

Anne Johnson, Assistant Principal reminded governors that the ILT strategy presented to the December Governing Body meeting, contains a disaster recovery policy. Governors agreed that the policy (statement of intent) is a good base on which to build a formal recovery plan; however the policy itself is neither detailed nor robust enough to be considered a standalone IT disaster recovery plan.

Graham Rayner, Assistant Principal, informed those present that he would discuss the matter with the DPEF with a view to presenting a formalised IT disaster recovery plan at the next meeting.

Action: GRa

60.6.5

[59.11.3] General Data Protection Regulations (GDPR)

The Chairman gave an overview of the current position in the relation to the GDPR Audit. In response to questions from the College it was noted that 'Governor's immediate concerns are around the implementation of the GDPR' and therefore this is the area the governors wish the audit to concentrate on.

In response to governor's questions regarding the College's plan for implementation of the GDPR, Anne Johnson, Assistant Principal, gave an overview of the work that has been undertaken thus far, including the College's processes for obtaining and supplying data sharing protocols and the production of privacy notices for students, staff and parents.¹ Managers confirmed that the privacy notices are in line with ESFA and Learner Record Service (LRS) requirements. Governors were informed that moving forward there will be ongoing opportunities for current and future students to review their data processing notices.

Governors were also informed that the College is working closely with both administration and teaching staff to ensure that all staff are aware of the changes and the need to ensure that personal and personally sensitive data is handled carefully, confidentially and in line with legislation.

¹ Protocols and privacy notices for governors will be shared with governors following oversight by the DPO

Three senior managers are working together to ensure that the College is as compliant as practicably possible. Two of the three managers have attended SFCA/Eversheds GDPR training – the Data Protection Officer (DPO) is in the process of training. Managers informed governors that Eversheds have stated that ‘no one will ever be 100% compliant’.

In response to governor questions regarding compliance, Anne Johnson, Assistant Principal, confirmed that the College would, within a reasonable timeframe, be in a general sense compliant with the GDPR.

The Chairman reminded those present that an external perspective on GDPR implementation has been requested in order to provide the assurance that governors require. In this context RSM have been engaged to undertake the audit. Members of the audit committee were asked to review and agree the scope of the RSM GDPR audit. The wording of the scope was unanimously agreed as follows: *‘To provide an overview of the work done by the College to date, and of the timescale of the plans still to be implemented, in order to ascertain the College’s readiness to meet the new GDPR requirements’.*

Governors were informed that the Finance Manager will convey the wording of the scope for the GDPR audit to RSM.

Action: EGi

60.6.6

59.11.3 Internal Controls

In the context that the committee had previously agreed that additional testing on internal controls should take place (on a five year rolling programme) the following suggestions for areas to be tested during the 2018/19 year were put forward:

- IT and data security systems
- GDPR post implementation - working in practice

Governors agreed that the Finance Manager should be asked to consider and subsequently give, an opinion on whether any of the financial areas should be tested.

Action: EGi

60.6.7

[59.12.1] Statement on Data Quality

Governors considered the rationale given for not including a statement on data quality in the annual report of the committee for the 2016-17 year.

It was noted that a verbal report, highlighting the rationale for not including a statement in the annual report of the audit committee for the 2016-17 year had been presented at the December 2017 governing body meeting and had also been detailed in the December update of the code of good governance (pt.6.11).²

‘The Finance Manager and Clerk have been unable to locate any suitable examples or templates for the wording of the data quality statement for inclusion in the audit

² Code of good governance - as action is ongoing, the status of pt. 6.11 was subsequently changed from red to amber

committee's annual report 2016-17 (as required under the code of good governance)'

It was noted that clerks have recently been informed that due to the wide range of interpretations re the data that should be encompassed by the statement, a template statement will be distributed. In this context it is expected that a report on data quality will be included in the committee's annual report for the 2017-18 year.

Following discussion regarding whether or not a statement was required, the Chairman asked governors to vote on the following motion:

'To accept (for the present time) the statement (as noted above), which will be revised as and when further guidance is received.'

The result of the vote was as follows:

3 votes cast in favour
1 abstention

The motion was therefore carried.

60.7 **Audit Code of Practice 2017-18** – overview of key issues and implications³

60.7.1 A copy of the Post-16 Audit Code of Practice (ACOP) and a 'marked up' copy of the Self-Assessment Questionnaire (SAQ) had been circulated to governors at the beginning of April 2018:

It was noted that updates have been made:

- emphasising reporting accountants may, by exception, write to ESFA and ask for a summary of any matters relevant to regularity
- confirming that colleges will share their completed regularity self-assessment questionnaires with reporting accountants
- clarifying that staff governors should not be members of an audit committee
- clarifying that significant fraud now includes that which is 'systematic or unusual'
- simplifying reporting arrangements so that all identified significant or material fraud is disclosed in the assurance report on regularity
- highlighting to external auditors their reporting responsibilities on matters of material significance

³ The ACOP sets out a common standard for the provision of assurance in relation to funding of post-16 providers. It sets out: the overarching assurance arrangements for post-16 providers - the specific responsibilities within the assurance framework for sixth-form and further education colleges NB: The Code should be read alongside any agreement setting out conditions of funding in the ESFA's Education grant funding agreements and contracts

- highlighting that all four annexes have been updated.

There were no matters arising from consideration of the updates.

60.7.2 Regularity Self-Assessment Questionnaire 2018 (SAQ)

Governors considered the 2018 updates which included:

- an emphasis on the independence, skills and expertise of the clerk
- clarification of the clerk's role in maintaining the register of interests and the extended list of persons whom should be included on the register
- addition of 'cyber security breeches' to the safeguarding of assets section
- additional information regarding the reporting of known frauds / communications around potential fraud /whistleblowing allegations
- requirement for the governing body to agree a property strategy

It was noted that in addition to holding a register of interests for key management personnel, governors and all key staff with significant financial and decision-making responsibilities the SAQ also requires the Clerk to hold a register for persons with '*capacity to influence and/or control*'. The Clerk informed the meeting that she had taken advice from the auditors on which persons/posts within the College this would encompass. The auditor had confirmed that a sensible approach would be to include budget holders.⁴ Governors discussed whether including all budget holders on the register, was reasonable approach or whether a more proportionate response would be to include holders of budgets that are above a predetermined limit (in line with limits set within the financial regulations). The Clerk will seek further clarity from the auditors.⁵

Action: Clerk

In the context that the SAQ, should be reviewed by an appropriate committee prior to being signed off by the Principal and Chair of Governors and prior to being released to the external auditor. The Finance Consultant informed the meeting that the SAQ will be completed by the Finance Manager and circulated to members of the committee via email for comment, in advance of the September governing body meeting.⁶

60.8 External Audit Plan

60.8.1 The Finance Consultant tabled a paper detailing the outcomes of the audit planning meeting held with RSM. The following points were noted:

⁴ As in the academy sector

⁵ Governors will informed of the outcomes of the discussion with the auditor via email.

⁶ It is anticipated that the SAQ will be presented at the September 2018 FGB meeting

- The regularity audit opinion provided by the auditors is derived from the completed SAQ and limited assurance testing
- The financial statements will no longer be 'group accounts' as the subsidiary company is dormant.
- The key risks identified remain unchanged (income recognition, staff costs, pension scheme liabilities, going concern, management override of controls).

Governors were informed that the financial accounts and regularity audit planning stages (to include the meeting with the clerk and review of governor files) will take place on 10-11th September 2018. The final audit will take place w/c 22nd October 2018. The external audit plan will be circulated to committee members for review and approval.

Action: EGi

60.8.2 Auditor's fees

In response to governor's questions it was noted that the auditors fees will be the same as for 2017 with an additional inflationary 2% uplift – a governor suggested that the uplift should, in fairness be restricted to 1% i.e. reflecting the nominal pay award given to teachers.

60.9 **Risk Management**

60.9.1 (i) Risk Management

Graham Rayner, Assistant Principal, gave an overview of the risk management arrangements in place for the College. The College is pragmatic in its approach to risk management ensuring everything possible is done to mitigate risks through quality assurance and sound financial controls with prudent and pragmatic budgeting.

The following risks were expanded upon

- *Enrolments*

Although student enrolments have fallen by approx. 50- 70 students,⁷ the College has increased its 'share' of the local 16 year old cohort. The current year is the last year of the demographic dip before an upturn and therefore the anticipated surge in the number of 16 year olds locally.

A record number of applications have been received from students currently in year 11 at the Philip Morant School. The increase is believed to be an endorsement of the College's traditional sixth form model.

- *Recruitment*

The College continues to attract high calibre staff

⁷ In line with the College's forecasts [a reduction from approx. 3200 students to 2850 students, over the four year period to 2018, due to external influences.

- Staffing

The College is on course to achieve the required reductions in FTE (10 net) through ‘natural wastage’⁸

- Adequate funding

The decision not to pursue academisation (following the Regional Schools Commissioners decision to decline the College’s initial SAT application) feeds into the ‘adequate funding risk.’⁹

The College hopes to capitalise on the Government’s introduction of the maths levy

- General Data Protection Regulations

Where relevant, the risks associated with the new GDPR will be added to the risk register

60.10 **Terms of Reference 2018-19**

Governors considered the proposed revisions to the committee’s current terms of reference. It was noted that the revisions reflect the changes incorporated within the 2017-18 ACOP. The terms of reference were unanimously agreed and will be placed for Governing Body approval at the meeting to be held on June 13th 2018.

Action: Clerk

60.11 **Miscellaneous**

A governor raised a matter of any other business in the context of the Chairman’s opening remarks. The governor asked whether the role and responsibilities of the clerk should be reviewed. The Chairman advised the meeting that this is not a matter for discussion by the audit committee.

Date of the Next Meeting - to be confirmed

Action: Clerk

There being no other business the Chairman closed the meeting at 3.50pm

Signed

Dated

⁸ *Definition of natural wastage: a reduction in the number of persons who are employed by an organisation that is achieved by not replacing those people who voluntarily change employers or retire*

⁹ *Academisation would have generated significant cost savings. For example Academies do not pay VAT – currently a significant cost to the College.*