



THE SIXTH FORM COLLEGE - COLCHESTER
Minutes of the Audit Committee Meeting No 59
24th November 2017

Chair Nick Gerrard

Present David Morran, Andy Beatty

In Attendance Allan Tucker, Graham Rayner, Anne Johnson, John Stenhouse, Chris Goldsworthy, Justin Smith (RSM, UK Auditors), John Owens

Clerk Tina Johnson

59.1 **Apologies for Absence**

None

59.2 **Any Other Business**

None.

59.3 **Declarations of Interest**

There were no declarations of interest.

59.4 **Determination of Confidential Items**

No confidential items were identified.

59.5 **Minutes of Meeting No. 58 held on 23rd August 2017**

The minutes were agreed and signed as a true record.

59.6 **Matters Arising**

59.6.1

Auditor's fees

In response to governor's questions it was noted that the fees reflect the additional £900 for the 'independence review' and a reduction of £1,050 in fees in relation to the change to the status of Fuel Chanel Ltd i.e. a change in status to a dormant company. The Going Concern review required additional work for the 2016-17 accounts due to the plans for the College to convert to Academy status in the early part of 2018

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59.6.2 58.6.1 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 with the bank in due course. It is likely that the accounts will be closed. A report will be given at the next meeting.

Action: ATu

59.6.3 58.9.10 Substantive Funding Review

The RSM review had highlighted that should the College be selected for an ESFA formal funding audit the College would be unable to demonstrate compliance with the Funding Guidance in relation to the recording of planned hours.

Assistant Principal, Anne Johnson provided governors with a paper detailing the actions taken to ensure the College is compliant in relation to the Funding Guidance requirements for the evidencing of planned hours.

As discussed at the last meeting, the College has recalculated the planned learning hours on the basis of timetabled and other evidence-based student activities. Moving forward, this information will be reflected in a student's individual Learning Agreement, which will state: *'The qualification planned hours includes practical (supervised laboratory or performance rehearsals) work, together with specific subject supported revision or coursework support and exam time, as appropriate (10 hours per subject for Yr 1 and 15 hours per subject Yr 2). For Language courses 10 additional hours are included for conversational classes'*.

Planned hours (hours within the boundaries of the funding guidance) will be recorded on each student's Learning Agreement and will now appear as:

Yr 1 – 165 hours for the majority of AS Level subjects

155 timetabled + 3 hours exams and 7 hours 'supervised' study. Language courses will have an additional 10 hours for conversation classes i.e. 175 planned hours

Yr 2 – 180 hours for the majority of A Level subjects

165 timetabled + 6 hours exams and 9 hours 'supervised' study. Language courses will have an additional 10 hours for conversation classes i.e. 190 planned hours

In addition to the above, all students engage in a planned tutorial programme totalling 40 (non-qualification) planned hours, and a careers programme (preparation for progression e.g. careers fair, 3 day programme for Year 1 students, support with University, FE and employment applications and other preparations totalling 10 (non-qualification) planned hours).

Governors were assured that following the move to recording planned hours as detailed above, the College will be compliant with the funding guidance. However planned hours will need to be recalculated for the 2018/19 year due to the planned timetable changes and the implementation of linear courses for all subjects.

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In response to governor's questions the following points were noted:

- There are a significant number of additional pastoral support hours that the Funding Guidance does not permit to be recorded on the ILR returns e.g. mental health support.
- The new system requires learning hours to be manually entered on to the data base, on a student by student by basis and therefore additional administrative hours have been required.

As funding is a key risk area for the College, it was agreed that RSM should be asked to give final reassurance that the methodology adopted is compliant with the funding guidance. It was agreed that the outcomes of the discussion with RSM would be communicated to the Chairman.

Action: AJo/NGe

Governors thanked the Assistant Principal for reviewing and revising the recording of student planned hours.

59.6.4

58.11 Fraud, Corruption and Anti-Bribery Policy

Assistant Principal, Graham Rayner informed the meeting that a new policy had been drafted for governors' consideration.

The Chairman informed the meeting that he was aware of dialogue outside of the meeting relating to the production of the policy. The draft policy was considered and it was noted that the policy has wider implications across all the activities of the Trust and requires the approval of the Audit Committee.

Governors noted that the policy presented to the meeting had not taken into account statutory guidance and was not compliant with the post 16 audit code of practice.

An updated, compliant policy was requested for consideration by the committee at the next meeting. It was agreed that the Principal would be contacted by the Committee Chairman and Vice Chairman of the Board with a view to relaying the decision of the committee.

Action: NGe/JSt/Principal

59.7

Annual Accounts for 2016/17 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.¹

The Finance Manager presented the "Reconciliation of Financial accounts to Forecast outturn" in the 2 year financial plan prepared in July 2017.

It was noted that the final deficit for the year was (£13,000) compared to the Forecast Outturn deficit of (£47,000). The Reconciliation shows that staffing efficiency gains in the latter part of the year were lower than budget, but this negative variance has been offset by unspent non-pay budgets at the end of the year.

¹ Terms of reference agreed by the Governing Body July 2017

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Movements in the Local Government Pension Scheme provision are in line with budget but it is emphasised that these movements are non-cash items and are excluded from the financial health calculations. The detailed commentary in the July 2017 monthly accounts gives the full explanations.

It is expected that completion of the ESFA Finance Record will result in a "Good" financial health grade for the 2016-17 year.

The Finance Manager confirmed that there were no adjustments to the draft Management Accounts arising from the October 2017 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 2017 to the Governing Body.

Action: ATu/Clerk

59.8 External Auditor's Final Findings/Report

It was noted that the year-end indicative audit timetable had been presented during the August Audit Committee meeting. There were no matters arising.

Self-Assessment Questionnaire (Regularity & Propriety)

Governors were reminded that the Regularity Audit Self-assessment Questionnaire (SAQ) must be 'be considered at an appropriate committee of the College before the commencement of the final Audit'. The signed SAQ was therefore presented and approved at the Governing Body meeting held on 11th October 2017.²

It was noted that the SAQ includes the College's policies and responses on the matters of Fraud, Whistle-Blowing and Regularity.³

59.9 External Auditors' Final Audit Findings

59.9.1 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:

59.9.2 *Pg. 2 - Introduction*

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

² The SAQ includes the College's policies and responses on the matters of Fraud, Whistle-Blowing and Regularity.

³ Audit committee members had previously confirmed that they are satisfied with the assurance received on these matters.

59.9.3 *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.

59.9.4 *Pg. 3 - LGPS*
The Auditor advised that the College should keep under review the College's 'share' of the LGPS deficit, including obtaining from the Actuary an explanation for the large difference between current service costs and employer contributions – if necessary the College could challenge the assumptions made, which may result in a lower charge being levied. Governors discussed the possibility of challenging the key actuarial assumptions. It was noted that the work required in order to inform such a challenge is likely to cost in excess of any reduction in charges. The matter will be kept under review.

Action: ATu

59.9.5 *Pg7. Misstatements*
Governors considered the minor misstatements, highlighted in the report and noted one entry had been adjusted re: the amounts held on deposit which matured less than 3 months post year end and which have not been re-invested. The College is of the opinion that the remaining misstatements were not material and do not distort a user's understanding of the Financial Statements and therefore were not adjusted.

59.9.6 *Pg. 4 Going Concern*
It was noted that this area would now require further work to make adjustments for the fact that the College will not be converting to academy status. The Auditor confirmed that based on the College's financial position as at the year end and the budgets prepared by management the governor's view that the College is a 'going concern' is reasonable.

59.9.7 *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 related to:

(i) 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, governors noted that the College is currently investigating the use of cloud based backup storage. The back-up software currently used (Veeam) does not provide the functionality required at the moment but the next version (which is shortly to be released) will allow the College to implement cloud based backups with the major providers.

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In response to governors concerns regarding that apparent lack of a formal and holistic IT disaster recovery plan, it was agreed that Assistant Principal Graham Rayner would ascertain the current situation and report to governors accordingly.

Action: GRa

(ii) Apprenticeship Levy

During the year the College has paid £10k in respect of the Apprenticeship Levy. Next year the cost to the College will be approximately £50k - based on the auditors discussions with the HR Manager there are no immediate plans to utilise any of these funds. Therefore, *'there is a risk that this will just become an additional cost to the College with no benefit and the College is not maximising the use of funds in relation to the Levy'*. Governors noted the Auditors recommend that the College *'continue to review its current training and recruitment processes and procedures in order to identify areas where it would be beneficial to employ apprentices and therefore access the Levy funds which have already been paid'*. Whilst it is acknowledged that there are few apprenticeships applicable to direct teaching staff, there are a wide range of apprenticeship programmes available in relation to support activities, such as finance, estates and IT'.

It was noted that 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 £100k of levy contributions that it could use to train and develop staff members.

In response to the auditors comments it was noted that the College is clear that when a vacancy is identified an apprenticeship would be the preferred recruitment option however, there is currently no teaching apprenticeship standard and apprenticeships for support staff are particularly problematic in the context that the Government requires apprenticeship employees to be working a full year (the majority of support staff are employed on 38 week working year). The College are waiting for information to be released by the Government regarding high level apprenticeships.

59.9.8 (iii) Unused Bank accounts [see minute No.59.7.2]

59.9.9 (iv) GDPR

During discussions, the Auditors identified that the College does not yet have a formalised implementation plan for the introduction of the General Data Protection Regulations (GDPR) in May 2018.

Governors noted that whilst the College does not have a formalised implementation plan there is a GDPR awareness programme. GDPR and its implications are regularly discussed at Senior Management meetings. The College is undertaking a GDPR data audit / data mapping. All support staff section heads are compiling a spreadsheet identifying what data the College collects, what the College does with it, and how this is shared and with whom. Once the audit is complete the College will establish what further steps need to be taken to ensure it is compliant.

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The College confirmed that the privacy notices are in line with ESFA and the Learner Record Service

59.9.10 *Pg.11 - Significant Findings - Accounting Policies & Estimates and Disclosures*

(i) Accounting Policies

The auditor recommended that the College keeps under review the fixed asset register

Action: ATu

(ii) Accounting Disclosures

Two minor disclosure matters (operating lease disclosure and Going Concern accounting policy) were brought to the attention of the Committee as subsequently reflected in the Financial Statements.

The Auditor reported that there were no significant difficulties identified or encountered during the course of the audit.

The Chairman asked the Auditor and the Finance Manager if there were any matters that had arisen during the course of the audit that had indicated an internal audit should be undertaken. There were no matters drawn to the attention of the committee.

In response to the Auditor's questions the committee confirmed that there were no matters of irregularity or fraud that they wished to bring to the Auditors attention.

The Auditor and governors thanked the Finance Manager and his 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 Body⁴

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

59.10.1 (i) Risk Management Annual Report

Assistant Principal, Graham Rayner, gave an overview of the Risk Management arrangements in place for the College. It was noted that the register will be updated following governor decisions on the future strategic direction of the College.

- *Funding*

Governors were advised that the major risk to the College continues to be the risk relating to the Government's funding of 16-19 year old students. This risk is linked to changing Government priorities, strategies and budgets and is a major risk faced by the College.

11.30am J. Owens left the meeting

⁴ The finding s report will be adjusted if required following the boards anticipated determination of the future strategic direction of the College.

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At the moment it is clear that the College continues to be able to function and manage its finances within these strictures, in a business sense, although the nature of educational offering and delivery continues to be threatened. The College can do very little to mitigate this risk, but budgetary controls are in place and savings have been made wherever possible, whilst ensuring that the College is rigorous in delivering high quality education and training.

- *Enrolments*

Although student enrolments have gone down by approx. 70 students, the College has increased its share of the local 16 year old cohort. The current academic year is the last year of the demographic dip before an upturn and the anticipated surge in the number of 16 year olds locally. In this context, governors will need to consider how the College is to manage the expected increase in student numbers

- *HLN Funding*

Recent information received by the College suggests that the top up funding for HLN students may not be available in the future. Whether this would apply to all institutions is not yet clear.

- *Maths Levy*

There is still uncertainty around the methodology that is going to be used to calculate the Government's introduction of the maths levy

The College is pragmatic in its approach to ensuring everything possible is done to mitigate the risk through quality assurance and sound financial controls with prudent and pragmatic budgeting.

59.10.2

(ii) Board Assurance Map

The document 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 by the Committee. All governor have received a hard copy of the Risk Register and an electronic copy will be placed on SharePoint.

Action: Clerk

59.10.3

(iii) Disaster Recovery Plan

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

Governors agreed that the risks faced by the College are well controlled and constantly monitored. The committee thanked the Assistant Principal for his comprehensive reports.

59.11

Annual Report on Internal Control Systems & Consideration of Internal Control Requirements

59.11.1

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

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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 2017/18 year should be placed before the Governing Body.

Action ATu/Clerk

- 59.11.2 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 College's compliance of its IT and data security systems covered under the new General Data Protection Regulations, should be tested during the 2017/18 year. It was agreed to ask RSM UK to carry out the internal assurance work subject to an agreement of fees.

Action NGe/Auditor

- 59.11.3 It was agreed that Committee members should proactively consider an area to be tested for the 2018/19 year. It was suggested that this should be 'capital works'. This will be discussed further at the next meeting.

Action Committee members /Clerk

59.12 Audit Committee's Draft Annual Report for 2016/17

- 59.12.1 The Finance Manager presented the Committee's draft Annual Report for 2016/17. It was agreed a statement on data quality should be added to the report in line with the requirements of the Code of Good Governance.

Action: ATu

- 59.12.2 **It was unanimously agreed that the Audit Committee's Annual Report for 2016/17 should be presented to the Governing Body meeting to be held on December 6th 2017.**

Action: ATu/Clerk

59.13 Committee Self-Assessment Review / Questionnaire

The self-assessment review questionnaire, circulated in advance of the meeting, was completed by committee members. Overall committee performance was graded as 'good'.

59.14 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.

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59.15

Date of the Next Meeting

It was agreed that the next meeting should take place on Friday 11 May at 2.30 pm.

Action: Clerk

There being no other business the Chairman closed the meeting at 12.05pm

Signed:

Dated: