



THE CORPORATION OF THE SIXTH FORM COLLEGE, COLCHESTER
Minutes of the Audit Committee Meeting No 63
22nd November 2019

Chair: Andy Beatty / Mike Atherton

Present: Michael Sherer, John Owens, Peter Barker

In Attendance: Elizabeth Gibson (Finance Manager), Graham Rayner (Assistant Principal),
Anne Johnson (Assistant Principal), Justin Smith (RSM, UK Auditors),
Tim O'Connor (Scrutton Bland, Auditors)

Clerk Tina Johnson

The Chair opened the meeting by welcoming Tim O'Connor (Corporate Services Partner, Scrutton Bland, Auditors) to the meeting.

63.1 **Apologies for Absence**

N. Gerrard and C. Goldsworthy, Finance Lead Governors

63.2 **Appointment of Chair and Vice Chair**

M. Atherton was unanimously appointed to the post of Audit Committee Chair for a two-year term ending November 2021.

P. Barker was unanimously appointed to the post of Audit Committee Vice Chair for a two-year term ending November 2021.

The meeting proceeded with M. Atherton in the Chair

63.3 **Any Other Business**

M. Sherer was unanimously appointed as a co-opted member of the committee for a one year term of office ending 21st November 2020.

63.4 **Declarations of Interest**

None.

63.5 **Determination of Confidential Items**

Agenda No. 63.15 - audit committee member's self-assessment responses

63.6 **Minutes of Meeting No. 62 held on 10th May 2019**

The minutes were agreed and signed as a true record.

63.7 **Matters Arising**

63.7.1 62.6.1 **Veeam Backup Solution (Cloud based storage solution)**

The Assistant Principal (Health & Safety, Assessment & Reporting) gave a verbal report of the roll out of Windows 10 and the impact on the dissemination of the summer 2018 examination results.

The IT Lead Governor provided those present with an outline of the meeting recently held with the Director of IT, Premises and Estates, including discussions re the increase in the cost of the Microsoft Campus Agreement to £16,400. The Assistant Principal (Curriculum and Quality Assurance), explained Microsoft now charge the College per user rather than per FTE (full time equivalent), this change (if all staff are registered as users) will increase the cost to the College from iro £16k to iro £30k – the contract is currently being renewed. It was agreed that clarity re costs was required.

The Clerk informed the meeting that the December Corporation agenda had been drafted to include an IT update report presented by the Director of IT, Premises and Estates. It is anticipated that the report will include further detail re the Veeam contract and provide the required clarity re the cost of the Microsoft Campus Agreement.¹

The Assistant Principal (Curriculum and Quality Assurance) reported that the College has been informed that Capita's Unit E (modular management information system) will move to become a Cloud based system. The move will have some advantages however, in the event that internet access fails data access will be an issue. In this context, the Lead Governor for IT reported that due diligence for a secure partner will need to be undertaken - a further cost to the College. Governors requested an update to be given at the next meeting.

Action: ABe/AJo

63.7.2 62.6.4 Data Sharing Protocols

The minutes of meeting no.62 held May 2019 recorded that College management had previously been informed that RSM's data sharing protocols were available via the company website. However, the College had been unable to locate the required documentation. RSM indicated that there was no immediate recollection of having been asked for the data sharing protocols, by the College – there are standard documents available that would have been sent following a request.² RSM indicated that the requested documentation would be sent immediately after the meeting.

63.8 **Further Education and Sixth Form College Corporations: Governance Guide**³

Consideration of the need for explicit Investments and Reserves Policies and Counter Fraud Strategy (annual report) were deferred to the next meeting. Governors were advised to refer to the relevant sections of the guidance prior to the next meeting.

Action: All Committee Members /Clerk

63.9 **Annual Accounts for 2018/19 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 Corporation for approval and signing.⁴

Completion of the ESFA finance record shows that the College retains its "Good" financial health grade for the 2018-19 year.

¹ [http://staff.colchsf.ac.uk/departments/governors/Corporation%20Meetings%2020192020/Corporation%20\[Governing%20Body\]%20Meeting%20No.119%20December%202019/Ag%20No.%20119.4%20\(b\)%20and%20119.8%20\(b\)%20\(v\)%20%20and%20\(vi\)%20IT%20and%20Estates%20Matters.pdf](http://staff.colchsf.ac.uk/departments/governors/Corporation%20Meetings%2020192020/Corporation%20[Governing%20Body]%20Meeting%20No.119%20December%202019/Ag%20No.%20119.4%20(b)%20and%20119.8%20(b)%20(v)%20%20and%20(vi)%20IT%20and%20Estates%20Matters.pdf)

² Data sharing protocols were provided to the Corporation, by RSM May 2019

³ Legal and regulatory requirements and recommended practice that apply to further education (FE) and sixth-form college corporations

⁴ Terms of reference agreed by the Corporation July 2019

The Finance Manager confirmed that there were no significant adjustments to the draft Management Accounts, arising from the 2019 external audit.

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

The committee unanimously agreed to recommend to the Corporation, approval of the Financial Statements for the year ended 31st July 2019.

Action: Finance Manager/Clerk

63.10 External Auditor's Final Findings/Report

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

63.10.1 Self-Assessment Questionnaire (Regularity & Propriety)

Governors were reminded that in accordance with the Post 16 Audit Code of Practice the Regularity Audit Self-assessment Questionnaire (SAQ) had been presented and approved at the Corporation meeting held on 16th September 2019.⁵

63.10.2 External Auditors' Final Audit Findings Report

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

In response to governor questions the following points were elucidated:

Pg. 2 - Introduction

The Auditor confirmed that no anticipated modifications to the pro-forma audit reports or the regularity assurance report, (provided in the Audit Plan and previously circulated), were 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.

63.10.3 Income recognition - charges between departments

The audit highlighted that internally generated income is being included within income and expenditure and not eliminated. However, the auditors do not consider this to be material and therefore no adjustment has been made.

63.10.4 Pension Scheme Liabilities

The year-end valuation includes an additional liability of £124,000. The liability relates to the Government reforms to public sector pensions introduced in 2015.⁶

Following the McCloud judgement on the reforms made to public sector pension schemes, the Actuary has reflected the potential impact on the College's liability with a past service adjustment of £124k, resulting in an increase in the liability and the charge to the income and expenditure account in the year.

⁵ The SAQ includes the College's policies and responses on the matters of Fraud, Whistle-Blowing and Regularity.

⁶ The reforms meant that most public sector workers were moved into new pension schemes including transitional protection for individuals within 10 years of retirement (as at April 2012).

Pg. 4 - Audit, Accounting and Regularity

63.10.5 Going Concern - Bank Covenants

The Auditors explained that from their review of the bank covenants they had identified that the College could potentially breach one of its covenants, by recording an historical cost deficit in three consecutive years (the relevant covenant states that the College is not permitted to have an historical cost deficit for 3 consecutive years). Based on RSM calculations, the College has had an historical cost deficit in 2018 and 2019 and is forecast to have an historical cost deficit in 2020. If the College does breach this covenant, there could be financial penalties and an event of default could be triggered - the loan may then become payable within one year.

Governors asked the Finance Manager to liaise with the bank to ascertain how they calculate the historical cost surplus/deficit. In the event that the Bank indicate that their calculations signify that there would be a breach of covenant, governors requested that that the Finance Manager seek a waiver of covenant in writing. The waiver should be sought in advance of the next review of the loan by the Corporation [May 2020].

Action: Finance Manager

The Finance Manager advised the meeting that the 2018-19 Financial Accounts will be received by the bank January 2020, this will then trigger notice of a historical cost deficit for 2 consecutive years. At this point a discussion will be held with the bank.

Action: Finance Manager

RSMs recommendation that the bank financial covenants are monitored regularly and reported to the Corporation was noted.

Pg. 5 – Management Override of Controls

63.10.6 Internal Control

Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of the audit RSM performed additional tests of detail to address this risk - there were no issues arising from this work.

Pg. 8 – Internal Controls

63.10.7 Procurement Policy

RSM informed the meeting the majority of the purchases reviewed as part of the procurement testing did not follow exactly the prescribed procurement policy, in that quotes were not obtained from three different suppliers – the college response to this point indicated that in each instance this had been because there was only one suitable or preferred supplier. RSM recommend that the procurement policy is updated to provide guidance on value for money considerations and the process to be followed when quotes are to be obtained from less than the minimum number of suppliers.

The Finance Manager informed the meeting that as part of the rewrite of the Financial Regulations and Procedures, it had been intend that the procurement guidelines would be updated to include the process to be followed and documented, when it is not practicable or appropriate to obtain three different quotes e.g. sole or unique supplier.

Action: Finance Manager

63.10.8 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 and clean audit.

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

63.11 Risk Management - Board Assurance, Risk Register & Disaster Recovery Plan

63.11.1 (i) Risk Management Annual Report

Assistant Principal (Health & Safety, Assessment & Reporting) provided governors with a reminder of the risk management arrangements in place for the College.

63.11.2 (ii) Board Assurance Map (BAM)⁷

There were no risks identified that required remedial action and no concerns were raised. Four areas were highlighted;
Net risk score of 8 or above are required to be on the register others are included for information.

Funding concerns for the 2019 - 20 year and beyond score high on the risk register. However, the upturn in the local demographics (number of 16 year olds locally) and the Government's autumn funding announcements will positively impact the College – facilitating a standstill position (i.e. equal to the 2018-19 funding position).

Last year the register recorded 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). However, in the context of the demographic upturn and the anticipated expansion in student numbers College management made the pragmatic decision to use some of the College's reserves, to retain staffing levels in subjects areas that are known to be subjects that struggle to recruit or retain highly qualified teachers.

Currently the College employs over 50% of its staff on part time contracts. Governors were informed that although part time contracts, can in some instances provide desired flexibility, the College is looking to recruit to full time posts where possible, for example by combining part time posts.

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

63.11.3 (iii) Disaster Recovery Plan (Critical Incident Management)

The comprehensive recovery plan was received and noted. There were no matters arising. It was noted that all governors are issued with a copy of the Disaster Recovery Plan (DRP) via SharePoint and also as hard copy.

The committee thanked the Assistant Principal for his comprehensive report

⁷ The BAM illustrates the sources of assurance following the decision not to appoint internal auditors.

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

63.12.1 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.

In response to governor questions, RSM advised that the nature of the College in relation to its income and expenditure streams it is relatively straight forward, compared to some of the larger GFE Colleges. It is the responsibility of the Corporation to be satisfied that there are appropriate controls in place and that they are operating correctly thereby providing the Corporation with the assurance that it is required.

After due consideration it was agreed that a recommendation not to appoint internal auditors for the 2019/20 year should be placed before the Corporation [*recommendation included within the committee's annual report - minute 63.13*]

Action Finance Manager /Clerk

63.12.2 In the context of the assurance provided by managers, governors considered potential areas for bespoke 'testing'. It was agreed that there were no areas that required further consideration at this time.

Action: Committee Members/Clerk

63.13 Audit Committee's Annual Report 2018/19

The Finance Manager presented the Committee's draft Annual Report for the 2018/19 year.

It was unanimously agreed that the Audit Committee's Annual Report for the 2018/19 year should be presented to the Corporation meeting to be held on December 16th 2019.

Action: Finance Manager /Clerk

63.14 Policies, Procedures & Statements

63.14.1 The following policies circulated in advance of the meeting were considered

Gifts and Hospitality Policy - approved with revisions as requested by the committee.

Action: Clerk/ Finance Manager

3.05pm T O' Connor, J. Smith, E. Gibson, G. Rayner & A Johnson left the meeting.

63.14.2 LGPS Discretionary Decisions - it was noted that the Corporation as scheme employer is required to provide approval of the discretionary decisions and in this context the committee agreed that their role should be one of 'recommending approval' to the Board, rather than providing final approval. The Committee considered each of the discretionary policies and agreed that the current discretionary decisions should be recommended for approval to the Corporation without amendment.

Action: Clerk/ Finance Manager

Committee Self-Assessment Review / Questionnaire

The committee self-assessment questionnaire, circulated in advance of the meeting had been completed by individual committee members. An anonymised summary of responses was tabled for governor consideration. The following points, which were highlighted by the questionnaire responses were discussed:

- *Committee membership - relevant skills and recent experience*
- *Appointment of an independent Clerk to the Committee*
- *Annual cycle of committee meetings / timings of meetings*

Overall committee performance was self-assessed as ‘good’

[See also confidential minute 22.11.2019]

Date of the Next Meeting

In the context that one of the Assistant Principals would be unable to attend the next meeting due to teaching commitments, it was agreed that the date of the next meeting should be rescheduled.

Action: Clerk

There being no other business the Chairman closed Part A of the meeting at 3.30pm

These minutes were confirmed as a true record on Minute No.....

Due to the Coronavirus pandemic, the impact on the College and its stakeholders and UK wide lockdown, the Corporation made the decision to cancel all non-urgent meetings during the period March – April 2020, including the Audit Committee meeting scheduled for 30.04.2020.

All non-urgent matters arising from the minutes of meeting No. 63 were deferred to the autumn term 2020 to allow members’ time to be given to strategic discussions and where applicable strategic decisions about the College’s direction and responses, during and after the Coronavirus (Covid19) crisis.

Time sensitive documents or those required for statutory reasons, were provided to committee members, this included the External Audit Plan and Risk Management update. Governors were asked to raise questions or queries arising from consideration of the documentation, via the clerk in accordance with a set timetable.

Where a matter has been noted in the minutes as ‘to be received/discussed at the next meeting’ and this is no longer applicable, additional footnotes have been added.

