



THE CORPORATION OF THE SIXTH FORM COLLEGE, COLCHESTER
Minutes of the Audit Committee Meeting No 64
19th November 2020

[Virtual Meeting held via Microsoft Teams]

Chair: Mike Atherton

Present: Michael Sherer, John Owens, Peter Barker, Andy Beatty

In Attendance: Elizabeth Gibson (Finance Manager), Graham Rayner (Assistant Principal),
Anne Johnson (Assistant Principal), Tim O'Connor (Scrutton Bland, Auditors),
K Finnigan (Corporation Chair)

Clerk Tina Johnson

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

64.1 **Apologies for Absence**

N. Gerrard and C. Goldsworthy, Finance Lead Governors

64.2 **Appointment of Chair and Vice Chair**

M. Sherer was unanimously appointed as a co-opted member of the committee, with full voting rights for a one-year term ending November 2021.

64.3 **Any Other Business**

None requested

64.4 **Declarations of Interest**

None reported from the register and none declared at the meeting

64.5 **Determination of Confidential Items**

All confidential items were identified on the Part B agenda including the appointment of external auditors for the 2020/2021 year.

64.6 **Minutes of Meeting No. 63 held on 22nd November 2019**

The minutes were agreed as a true record of the meeting

64.6.1 Due to the Coronavirus pandemic and in particular the direction to close education institutions to the majority of students and staff (vulnerable and key worker children excepted) and UK wide 'lockdown' imposed from March 2020, 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. 64, 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. However, to ensure ongoing strategic oversight and in addition to other procedures adopted by the Corporation, time sensitive documents or those required for statutory reasons, were provided to committee members, these documents included the External Audit Plan and Risk Management update. Governors were asked to raise any questions or queries arising from consideration of the documentation via the clerk with management responses made available to all members of the Corporation.

64.7 **Matters Arising**

64.7.1 62.6.1 Data Security/Recovery

The Assistant Principal (Health & Safety, Assessment & Reporting) gave a verbal update including, information regarding the purchase of Cloud based storage from Wasabi.com. In response to governor questions, it was noted that the College's 3 main servers are now backed up to the Cloud and the next steps will be a roll-out across other college systems. It is expected that the roll-out (either using Veeam or Wasabi) will be completed before the end of the spring term 2021.

Capita's Unit E (modular management information system) will move to become a Cloud based system. However, this is a 6-year project commencing with examinations data. The Director of Premises & ICT will be attending a Capita presentation where it is expected that their implementation strategy will be further outlined.

An update on the roll out of the Wasabi platform & outcomes of the meeting with Capita, will be reported to governors through the IT strategy review scheduled to be presented to the Corporation in the spring term.

Action: College/Clerk

64.7.2 63.10 Bank Covenant

Preparation of the Financial Statements highlighted that the College could breach the terms of a bank covenant, relating to the long-term loan, due to holding an historical cost deficit for three consecutive years. It had been agreed that the Finance Manager should investigate the consequences of a breach and as a result the Corporation decided to repay the long-term loan in full, therefore avoiding any breach of covenant

64.7.3 63.15 Independent Clerk to the Audit Committee

Following the scrutiny of the committee's self-assessment review at the last meeting a policy statement on the independence of the corporation clerk, is being drafted. Due to workload, the policy will be presented to the Chair and Vice Chairs for consideration in the new year.

Action: Clerk

64.8 **Further Education and Sixth Form College Corporations: Governance Guide**¹

In the context of the statutory guidance, the requirement for explicit investments and reserves policies and a counter fraud strategy were considered. It was noted that the consideration of these policies had been delegated to the committee by the

¹ Legal and regulatory requirements and recommended practice that apply to further education (FE) and sixth-form college corporations

Corporation (via the Search & Governance Committee – policy & procedures schedule/scheme of delegation).

64.8.1 Investments Policy

Governors considered the current scheme of delegation and investment practice, as detailed in the Financial Regulations, noting that where applicable, monies are placed on short term deposit with the College's bankers.

It was noted that the statutory guidance states that Corporations should:

- agree an overall investment policy and objectives for the corporation
- agree the balance between risk and return
- be aware that some investments may have tax implications

The Audit committee's role in monitoring and reviewing the investments strategy, the parameters surrounding the investment of funds and also holding relevant managers to account for investment decisions was discussed and after due consideration governors requested that an investments policy be drafted for initial consideration by the committee.

Action: College

64.8.2 Reserves Policy

In addition to the requirements detailed within the Government's statutory guidance, the auditor advised, in the context of the Corporation's exempt charity status, that the Corporation should have a reserves policy. Governors were also advised that that having an agreed reserves policy in place, will likely become a mandatory requirement in the near future.

Governors agreed that a discrete reserves policy, documenting the Corporation's rationale for the keeping of reserves to a predetermined level, would provide some reassurance regarding governor concerns that the Government may try to instigated a clawback strategy and also provide an indication of future funding needs and overall resilience.

It was resolved that a policy should be drafted to include; a statement of intent, an explanation of the Corporation's rationale for keeping or not keeping reserves and the rationale for the level of liquidity that the Corporation is aspiring to build.

Governor's considered the committee's role in review the effectiveness of the reserves policy in the light of any changes in funding together with emerging operational risks, to ensure sustainable delivery of the Corporation's charitable purpose and strategic priorities.

Action: College

64.8.3 Counter Fraud Strategy

It was noted that the anti-fraud, corruption and bribery policy had previously been approved by the Corporation (May 2019) and is operational. In the context of the statutory guidance which states that the Corporation should ensure that:

- a counter fraud strategy and fraud response plan are in place
- an annual fraud risk review is part of its risk management strategy
- appropriate counter fraud measures are in place, such as strong financial controls and pre-employment screening of staff

- there is fraud awareness training for staff

The committee requested that a counter fraud strategy be produced, for initial consideration by the committee. There after an annual report on the implementation of the strategy would be requested.

Action: College

Timescales for the production of the requested documents will be discussed with the Finance Manager and communicated to the Chair. Governors directed that in the current circumstances and in consideration of manager workloads, the counter fraud strategy should be considered the most critical piece of work, followed by the treasury management policy (investments & reserves).

Action: Clerk

64.9 Annual Report and Accounts for 2019/20 Year (Financial Statements)

It was noted that the committee's terms of reference delegate to the committee the function of scrutinising the annual report and accounts, prior to presentation to the Corporation for approval.²

Completion of the ESFA finance record is expected to show that the College will retain its "Good" financial health grade for the 2019-20 year.

The Finance Manager confirmed that there were no significant adjustments to the draft Management Accounts, arising from the 2020 external audit.

There were no matters arising from scrutiny of the reports, and no amendments were requested. It was however, noted that the assumption made regarding the withdrawal of the teacher's pension grant has been made in the context that the Government has, and will likely continue, to prioritise spending, elsewhere (other than the education budget) due to the short and long term impacts of the Covid pandemic.

The committee unanimously agreed to recommend to the Corporation, approval of the Annual Report & Financial Statements for the year ended 31st July 20120.

Action: Finance Manager/Clerk

64.10 External Auditor's Final Findings/Report

64.10.1 Self-Assessment Questionnaire (Regularity & Propriety)

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 28th September 2020.³

64.10.2 External Auditors' Final Audit Findings Report

The Auditor took governors through the audit findings report, covering both the Financial Statements Audit and the Regularity Audit. Governors were reminded that as the 2019-2020 audit was the first year that Scrutton Bland had acted as the Corporation's external auditors, some additional testing had been undertaken.

² Terms of reference agreed by the Corporation July 2020

³ The SAQ includes the policies and responses on the matters of Fraud, Whistle-Blowing and Regularity.

Governors were pleased to note that the auditors were able to provide a clean assurance opinion on both the Annual Report/Financial Statements and the regularity audit.

In response to governor questions the following points were elucidated:

Two good practice points had been included within the external auditors report to the audit committee relating to the disposal of fixed assets and the disclosure of staffing numbers. The Finance Manager reported on the actions that had been taken by the College in response to these points as follows;

64.10.3 Fixed Asset Disposals

The audit had identified that in prior years the disposals of fixed assets had not been regularly reviewed. This meant that there were multiple assets recorded on the fixed asset register that were no longer held by the College. As assets may have been disposed of and no longer exist, the cost and depreciation carried forward of fixed assets is at risk of being overstated.

The Finance Manager explained that over the last few years, the Fixed Asset register had been reviewed annually against the IT Asset listing and disposals recorded as appropriate. However, this had not been done for non-IT Assets. This was identified by the Finance Manager earlier in the year and the matter had been addressed.

The main issue had been the lack of detail provided in previous year for example from 2002 to 2009 some assets in inventories had a description of 'various', with just a month of purchase and cost recorded making it impossible to identify the asset. A decision was made in conjunction with the Director of Premises & ICT, that all assets without an identifiable description and a book value of nil, be written-off. Non-IT assets removed from the register totalled £413k. More recent additions to the register have included a clear description so can be more easily be identified, thus ensuring the problem should not occur again.

64.10.4 Disclosure of Staffing Numbers

The audit identified that the average staff numbers disclosed was calculated on a quarterly basis. As staff numbers are likely to fluctuate each month throughout the academic year, the disclosure may be misstated if based on a quarterly calculation.

The Finance Manager explained that information re average staff numbers is currently prepared on a quarterly basis for the Office of National Statistics and it had been felt that using 4 points throughout the year provided a sufficient average. However, following the audit report recommendations, staff numbers will now be analysed monthly to comply with FRS guidance.

64.10.8 Future Uncertainties

The auditor counselled, that the committee and Corporation as a whole, should be aware of the unprecedented uncertainties that may impact future College funding, including; i) the full effect of the Covid-19 pandemic ii) BREXIT - the full implications of Brexit, remain unclear⁴ iii) the Government's leaning towards vocational rather than traditional academic A Level education.

⁴ The College continues to monitor ongoing developments with a view to managing and mitigating any potential risks

64.10.9 Governors concurred, that the amount of liquidity currently held as reserves, puts the College in a 'good place' to deal with these uncertainties.⁵ However, all of these matters would be kept under close review.⁶

64.10.10 Prior to drawing attention to the letter of representation the auditor thanked the Finance manager and her team for facilitating a smooth audit. The Audit Committee reviewed the external auditors' letter of representation in conjunction with the draft financial statements for the year ended 31 July 2020 on behalf of the Corporation.

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

64.11.1 Risk Management Annual Report

The Assistant Principal (Health & Safety, Assessment & Reporting), provided governors with a reminder of the risk management arrangements in place for the College and an overview of how the gross and net risk scores are calculated.⁷ Those matters considered to have an increased risk due to Covid or other external factors were considered in detail.

64.11.2 Board Assurance Map (BAM)⁸

There were no risks identified that required remedial action and no concerns were raised. In response to governor questions the risks scoring high (10) on the register were discussed in further detail. Four areas were highlighted;

64.11.3 Failure to adequately support students.

The net risk has risen from 8 -10, due to the impact of Covid-19 on student contact time and related factors. As the College is currently, only able to provide the majority of students with approximately half of their usual onsite provision, there is less student contact time in which to identify emerging issues and less time for students to actively seek face to face support.

64.11.4 Problems arising from adverse local, regional or national publicity.

The net risk had risen from 5 -10, due to the impact of Covid-19 on the College's capacity to influence its own direction e.g. compulsory college closure and any resultant negative publicity.

64.11.5 Receipt of inadequate Government funding allocation

Funding concerns for the 2020 - 21 year and beyond, remain a high score on the risk register. Despite, the upturn in the local demographics (number of 16 year olds locally) the Government's spend on Covid related issues will likely negatively impact the Governments education budget allocation. In addition, it is not yet known whether part-funding will be forthcoming for the in-year growth in the number of students enrolling for the 2020-2021.

⁵ See reserves policy

⁶ The Corporation runs a carveresque model of governance and therefore has the opportunity to receive information and discuss as a corporate body the emerging impact of these uncertainties on a monthly basis.

⁷ Net risk score of 8 or above are required to be on the register others are included for information.

⁸ The BAM illustrates the sources of assurance following the decision not to appoint internal auditors.

64.11.6 Failure to deploy staff effectively and efficiently

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). This year, the impact of Covid on staff absences and the need to deploy underutilised support staff to other areas of the college has added to this risk.

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

64.11.7 Governors requested that the Risk Register, Board Assurance Map and Action Plan be drafted to convey to the reader, that the Corporation role in monitoring risk is predominately one of strategic oversight – mainly carried out via the work of the committee and lead governors (according to agreed terms of reference). Revised documents will be presented, as part of the Audit Committee's annual report to the Corporation.

Action: College

64.11.8 (i) Disaster Recovery Plan (Critical Incident Management)

The comprehensive recovery plan was received and noted, including the addition of the Covid (positive case) response flow diagrams.

Data recovery: It was noted that the Director of Premises and ICT has indicated that the risk to IT security is nowhere near the risks that universities recently faced, due to the investment in cloud-based storage such as Veeam and Wasabi, at the College.

There were no matters arising.

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

64.12.1 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.

64.12.2 It was noted that the Corporation had previously made the decision not to engage internal audit for the financial year 2012/13 [audit committee minute 50.7] and had reviewed the decision annually thereafter.

64.12.3 Governors were advised that internal audit requirements should be driven by the Board Assurance Map/Risk Register with outcomes focussed on driving efficiencies. The responsibility of the Committee is 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.

64.12.4 The Committee considered whether in addition to an external audit, an internal auditor should be engaged. Committee members acknowledged the potential benefits of internal audit in identifying potential improvements in the control environment & driving identification of efficiencies and also considered the financial and human resource implications. It was agreed that a cost/benefit analysis re Internal Audit verses bespoke periodic testing informed by the Risk Register & Board Assurance Map, should be considered at the next meeting.

Action: Chair/Committee

64.12.5 The committee agreed that there were no evident gaps arising from consideration of the Board Assurance Map and in this context, resolved **that a recommendation not to appoint internal auditors for the 2020/21 year should be placed before the Corporation** [recommendation will be included within the committee's annual report - minute 64.13]

Action: Finance Manager /Clerk

64.12.2 Taking all available information into account, the committee were satisfied, that they would be able to give independent assurance to the Corporation that its financial and non-financial controls, and risk management procedures, are appropriate, compliant and operating effectively.

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, however, this would be kept under review.

Action: Committee Members/Clerk

64.13 Audit Committee's Annual Report 2019/20

The Finance Manager presented the Committee's draft Annual Report for the 2019/20 year.

It was unanimously agreed that the Audit Committee's Annual Report for the 2019/20 year should be presented to the Corporation meeting to be held on December 7th 2020.

Action: Finance Manager /Clerk

64.14 Committee Self-Assessment Review / Questionnaire

64.14.1 The committee self-assessment questionnaire, circulated in advance of the meeting had been completed by individual committee members. An anonymised summary of responses had been provided for governor consideration.

64.14.2 The number of meetings held by the committee and the expectation that there may in future be pressure applied via the Post 16 Audit Code of Practice for audit committees to have a minimum of 3 meetings per year was noted. [See also minute 64.7.3]

There were no other matters arising.

Overall committee performance was self-assessed as 'good'.

There being no other business the Chair closed Part A of the meeting

12.50pm T. O'Connor, E.Gibson, G. Rayner & A Johnson left the meeting.

PART B

[Confidential Matters]

64.15 **Confidential Minutes of Meeting No. 63 held on 22nd November 2019**

The confidential minutes were agreed as a true record of the meeting.

64.16 **Reappointment of External Auditor**

Governors considered the work undertaken by Scrutton Bland, and resolved to recommend to the Corporation that, subject to an arrangement of fees, Scrutton Bland should be appointed as the External Auditor for the 2020/21 year.

There being no other business the Chair closed the meeting at 12.56pm

Confirmed as a true record by the Audit Committee 28th April 2021 Minute No. 65.5
