



THE CORPORATION OF THE SIXTH FORM COLLEGE, COLCHESTER
Minutes of the Audit Committee Meeting No 65
29th April 2021

[Virtual Meeting held via Microsoft Teams]

Chair: M Atherton

Present: M Sherer, S Codling, J Owens, P Barker, A Beatty

In Attendance: E Gibson (Finance Manager), G Rayner (Assistant Principal),
A Johnson (Assistant Principal), T. O'Connor (Corporate Services Partner, Scrutton Bland LLP)

Clerk: T. Johnson

The chair opened the meeting by welcoming T O'Connor (Scrutton Bland LLP) to the meeting

The chair reminded those present that all members of the corporation have access to the supporting documentation for each meeting and are afforded the opportunity to raise questions of management, in advance. The responses, to these questions are circulated to all governors prior to the meeting, providing further opportunity to advance knowledge and subsequently facilitating insightful strategic questions and challenges.¹

65.1 Apologies for Absence

None – all members and attendees were present.

65.2 Any Other Business

None requested.

65.3 Declarations of Interest

None reported from the register and none declared at the meeting.

65.4 Determination of Confidential Items

No confidential items were identified

65.5 Minutes of Meeting No. 64 held on 19 November 2020

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

65.6 Matters Arising

There were no matters arising from the minutes or the pre-meeting questions and answers that had not been covered by the agenda.

¹ The questions and answer documentation are appendage to the relevant minutes [see pg.7 onwards]

65.7 Policies, Strategies and Regulations

65.7.1 Treasury Management Policy – following the previous request of the committee, a draft policy, setting out current policies, objectives and associated ‘risk’ management re investments, reserves and borrowing was placed for governor consideration. Governors noted that a reserve of at least £2m ensures the college achieves, as a minimum, the ‘good’ ESFA health rating and also ensures that funds are available to manage the variables within in ESFA annual funding distribution model.

In relation to reserves, it was agreed that the committee chair and finance lead governors would discuss the minima figure that the corporation would wish to keep in reserve. These discussions would inform the supplementary wording re the retention and risk of capital retained in one or more institutions, to be inserted into the draft policy. Formation of the required policy wording was delegated to the committee chair M Atherton and committee member J Owens.

Action: MAt/NGe/CGo/JOw

Subject to the committee’s approval of the supplementary wording, it was agreed that the draft policy should be recommended for (first) approval by the corporation. Subsequent review and approval of the policy is expected to be undertaken by the committee.²

Action: committee members/finance manager/clerk

65.7.2 Counter Fraud Strategy

The strategy, had been provided to the committee chair for early consideration. It was agreed that S Codling, M Atherton and J Owens would form a working group, assigned with constructing the additional material required for insertion into the strategy. The working group are expected to report at the next meeting.

Action: SCo/MAt/JOw

65.7.3 Review and Reappointment of External Auditors

The post 16 audit code of practice³, requires the [independent] audit committee to have a policy in place, for the regular review and retendering of the external audit service. It was noted that the draft policy, presented for committee consideration, provided detail of; the minima criteria to be applied when undertaking the annual review of auditor performance, the expectations around the 3-yearly benchmarking reports and arrangements for the retendering of the external audit service [retender must be at least every 5 years]. It was agreed that the policy should be recommended to the corporation for approval.⁴

Action: clerk

65.7.4 Independence of the Clerk to the Corporation/ Audit Committee

As an outcome of the committee’s 2020 self-assessment review, the clerk had drafted, a policy statement on the required independence of the clerk to the corporation. The committee received the statement which provided summary detail on the legal and

² Policy review schedules are determined by the Corporation, following recommendations by the Search & Governance Committee

³ The post-16 audit code of practice sets out Education and Skills Funding Agency’s (ESFA’s) assurance and accountability requirements for post-16 providers, including sixth-form colleges

⁴ Approved by the corporation 19.05.2021

regulatory requirements and the procedures currently adopted by the board to safeguard the independence of the clerk. The policy statement will be provided to new governors on appointment, circulated to members of the corporation via SharePoint and copy provided for stakeholders via the governance webpage.

Action: clerk

65.7.5 Financial Regulations

The finance manager presented the draft revisions to the financial regulations. The revisions were agreed subject to a revised statement replacing point [2.11] reflecting the appropriate rights of access and the line of reporting, of internal auditors (where appointed). Subject to the revision it was agreed that the financial regulations should be recommended to the corporation for approval.⁵

Action: clerk

65.8 Committee Terms of Reference 2021/2022

65.8.1 The clerk introduced the draft committee standing orders and terms of reference which had been revised to take account of the new requirements detailed in the [ACOP](#), (audit code of practice) and the requirements of the current [DfE FE & SFC Governance Guide](#), and corporation operational practices. Introductory wording had been added to aid new governors and stakeholders understanding of the role of the audit committee. The following points were expanded upon:

65.8.2 Frequency of meetings – as detailed within the audit code of practice, the committee will move to a minimum 3 committee meetings a year. The consensus expressed was that a 3rd meeting could reasonably be accommodated in the spring term and usefully used as a predominately risk orientated meeting considering risk appetite and awareness as well as risk management and mitigation.

65.8.3 Fuel Channel Ltd - the rationale for the subsidiary company remaining dormant rather, than closing was discussed. The college view that it is preferable to maintain the dormant company with the option to reinstate, rather than forming a new company should it be required in the future. The Chair asked for this matter to be discussed fully by the committee at a future date.

Action: clerk/chair

65.8.4 Committee member terms of office – there is no pre-determined maximum term of office for committee members. Membership of committees is approved annually by the corporation. Cessation usually co-insides with the end of the term of office as a member of the corporation.

Members of the corporation are eligible for reappointment at the end of their respective term and therefore, as approved by the corporation, committee members may also serve consecutive terms.

A governor expressed the view that although high value is rightly placed on appointing new committee members with required expertise, institutional memory is also of significant importance.

⁵ Approved by the Corporation - meeting No.128 May 2021

Members were satisfied that the current committee membership; a mix of new and long serving governors, provides for the required knowledge, skills and expertise.

The draft standing orders and terms of reference were agreed for recommendation to the corporation for approval at the July Corporation meeting.

Action: clerk

65.9 External Auditor's Audit Planning Letter 2020/2021 [year ending 31.07.2021]

- 65.9.1 The committee considered the financial statements audit plan, including; scope and approach, definition of audit materiality, audit timetable, agreement of key issues / focus, independence and integrity and the audit timetable agreed with the finance manager, in the context of the revised post 16 audit code of practice.
- 65.9.2 The external auditor draw attention to relevant sections within the audit plan including: fraud risk, knowledge (there should not be an assumption of knowledge but a verification of knowledge) and the audit approach to materiality. In response to governor questions, the auditor explained that materiality, taken as a whole, refers to the significance/effect of an amount, transaction, or discrepancy. During the audit planning process the auditor will use their professional judgement to decide what the level materiality will be, in the context of the entirety of the financial statements to be audited. Whether a misstatement is considered to be material will depend on the amount and nature of the misstatement and, if its omission would reasonably influence the decisions of those considering the Statements. Governors were advised that, different materiality levels may be appropriate for different aspects of the statements – related party transactions, for example, will, have materiality set at zero. It was noted that the audit plan concluded that there are no areas of significant risk of material misstatement that require special audit consideration and should any areas of significant risk be identified at the audit planning stage this would be brought to the attention of the audit committee.
- 65.9.3 The audit fees of £13,895 (detailed within the audit plan) covering the financial statements audit, the preparation of the assurance report and the audit of the teachers' pension agency return, had increased in line with consumer prices index (CPI)⁶ in accordance with the initial 3 year audit tender thus resulting in a 0.6% increase in fees compared to the previous year. It was noted, that additional work will be required as a result of the ESFA requirement for external auditors to ensure compliance with funding rules however, this year the cost of this work, will be absorbed within the agreed fee. The auditor had also agreed to absorb the cost of attendance and reporting to the December corporation meeting as required by the post 16 audit code of practice.
- The external audit plan was unanimously approved.⁷

65.10 Risk Management - Board Assurance

The assistant principal provided governors with an update on the Coronavirus (COVID-19) risk and mitigation plan and the cross-college risk register/ board assurance map.

- 65.10.1 Coronavirus (COVID-19) In response to governor questions, the assistant principal provided an update on COVID-19 testing and risk mitigation. Governors were reminded

⁶ Forms the basis for the government's inflation target and other inflation-linked tools

⁷ Subsequent to the Corporation decision to appoint Scrutton Bland Auditors 08.12.2020 and the meeting held 17.01.2021, the Terms of Engagement had been approved by the committee 24.02.2021 and digitally signed by the committee chair.

that both testing and vaccination are optional and therefore, the College doesn't enquire or keep records of those staff who have been tested or vaccinated.

65.10.2 Health & safety - A dedicated (non-teaching), health & safety co-ordinator post has been added to the staffing structure. Adverts have been placed with a view to appointing to the post as soon as possible. Ideally, the post holder will have recent health & safety experience in an educational setting.

65.10.3 Awarding of summer 2021 gradings - the assistant principals confirmed that in addition to government frameworks, the college's teacher and centre assessed grades processes and protocols are in place. The college's internal and external quality assurance processes are, as in 2020, robust and therefore it is expected that appeals will be minimised.

65.10.4 Board Assurance - Governors discussed the corporation's current board assurance framework, the difficulties associated with corporation's current assurance practices and the need to identify risk appetite, prioritise strategic and operational risks alongside documenting and understanding the relevant controls, mitigations and movements. In this context, it was agreed that at the May meeting each year, the committee would focus on the 3 or 4 top priority risks. [See also further discussion minuted 65.11.2 para]

Action: GRa/MAt/clerk

65.10.5 Risk management committee – the chair reiterated that a governor with relevant experience and or expertise would be willing to attend the risk management committee meetings to support the college's work in this area.

65.11 Consideration of Internal Control Needs

65.11.1 Governors considered the internal audit review, analysis and considerations report prepared by the clerk covering; the responsibilities of the Corporation, the perceived benefits and costs of engaging an internal audit service including management views, current practice and bespoke internal controls testing to date.

65.11.2 In addition to identifying potential improvements in the control environment and driving efficiencies, governors concurred that internal audit could also be a valuable resource in providing the corporation with assurance that appropriate controls are in place and operating correctly. Committee members agreed that the starting point for all considerations should be the board assurance framework and an audit needs analysis. Senior managers reminded governors that at the present time, very few departments within the college have the capacity to accommodate an audit.

65.11.3 Those present were reminded of the responsibilities of the corporation and that the ESFA may, in certain circumstances, require the corporation to provide a rationale for why internal audit had not been engaged.

65.11.4 It was agreed the current board assurance framework should be reviewed and revised as applicable, for presentation at the next meeting.

Action: SCo/MAt/GRa

Subsequent to the review, internal audit will be reconsidered including, whether external scrutiny around the board assurance framework is required.

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

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

PART B

[Confidential Matters]

65.12 Governor Resignation Process

The committee chair provided governors with a report on a post resignation issue that the chair of the corporation and clerk are currently dealing with. The clerk confirmed that Eversheds advice has been taken on the matter.

There being no other business the chair closed the meeting at 13.35

These minutes were confirmed as a true record by the Audit Committee on 19.11.2021
Minute no 66.7

Notes to pre-meeting question & answer opportunities

During these unprecedented times, the primary focus of the corporation remains the wellbeing of the students, the staff and the wider college community.

Governors have and continue to be, provided with regular information re government legislation and guidance regarding the Coronavirus (COVID-19) pandemic, the steps the College has taken in responding to guidance and the ongoing impact on the college, its stakeholders and the wider college community. This has included scrutiny of risk and mitigation plans and attending additional meetings where required, to ensure that the corporation continues to fulfil its statutory responsibilities, including that of strategic oversight and with the aim of ensuring that the College is able to continue to provide all students with a first-class learning experience.

Governors were invited to raise questions or queries arising from consideration of the supporting documentation in advance of the meeting and to follow the usual protocols for confidential queries that would not ordinarily have been discussed in an open meeting.

The aim of providing governors with the opportunity to raise questions in the way outlined above, is not only to ensure the most constructive use of meeting and senior manager time but also to ensure governors, are able to advance their own knowledge and understanding from the questions raised by colleagues and the subsequent management responses and allow governors time to consider the responses and obtain further information where required. This process facilitates reflective and insightful challenge during meetings. In adopting this process alongside virtual meetings, the corporation has further documented evidence of ongoing strategic oversight and due diligence.

Document Title	Unedited Queries/Questions	Management Response
<p>65.7 - Treasury policy</p>	<p>Investments: Based on the policy of £2m being available in current accounts / short term deposit accounts, are there plans for the investment of the remaining c£1.9m (based on total reserves balance in the March 2021 management accounts)? What are these and when do you think that they will be actioned?</p>	<p>Cash Balance @ 31.03.21 = £2.9m, Forecast Cash Balance @ 31.07.21 = £3.4m. At present the Bank of England base rate is 0.1%. The Lloyds interest rate for their 95-day notice deposit account and their one-year fixed term deposit is 0.05%, equivalent to £500 interest for £1 million deposited for a year. Keeping it in the 95-day deposit account gives flexibility, if/when interest rates improve the choice of account will be reviewed. Having looked at a random selection of similar banks, the interest rate offered is the best available, although some banks will only divulge their interest rates if you phone them.</p>

	<p>Reserves: I don't think that the reserves policy gives a conclusion on the value of reserves planned to be retained. The £1m that is discussed as being required for ongoing cash flow purposes is to cover working capital requirements and I assume will be retained in the college's current account so that it is accessible to cover ongoing liabilities as they arise over the course of the financial year. What reserve value over and above this does the college intend to retain (which should be reflected in the policy) on an ongoing basis, which can be used to respond to unplanned events (e.g. covid) and can be invested on a longer- term basis, with a better financial reward for the college?</p>	<p>Please see response above relating to investments</p>
<p>65.7 – external audit tendering policy</p>	<p>2.2 – the audit committee should consider the duration of tenure by the senior audit team members, particularly the partner / partner equivalent. There are rules concerning the duration of partner involvement, and if these don't apply here then they should at least be considered within due process (also links to point 3. independence)</p>	<p>I recall, public companies must <i>rotate</i> engagement <i>partners</i> every five years, but as far as I am aware, there are no hard and fast rules in the FE sector. I have added under 2.2 'adherence to the audit firm's rotation policy' This point is also covered by the scope of works mentioned under 4.5. As part of the initial tender specification/scope of works, shortlisting questionnaires and reports, I asked each of the firms invited to tender to detail their firm's <i>audit rotation</i> policy.</p>
<p>65.7 – financial regs</p>	<p>2.11 – states that if an IA function is appointed that the annual report will be submitted to funding bodies, is this a funding body requirement, i.e. is it mandatory or is it required if requested by the funding body?</p> <p>4.6 – why has there been a change from exceeding £500 to exceeding £1,000 for payments that require two signatories</p>	<p>It is not a funding body requirement but something the college has chosen to do in the past. This has been included in the Financial Regulations since at least 2014 but can be removed if the Corporation approves.</p> <p>The £500 limit has been in place since at least 2014. Since then, the value of payments has increased, on a normal payment run there is an escalating number of regular invoices between £500 and £1,000. Increasing the limit would reduce the administration burden. This has been discussed with the Principal who is in agreement.</p>

	<p>Page 12 - Visits at supplier's expense to inspect equipment etc. must not be undertaken without the prior approval of the Principal. – Agreed I would add that if the request is approved for one supplier then the offer should be extended to all tendering suppliers to ensure fairness.</p> <p>Are there instances of orders being made without purchase orders being raised? If so, to what extent is this the case (high level estimate)</p>	<p>Page 11, this tends to refer to equipment already purchased so another supplier would not need to inspect it. However, when tendering opportunities apply, all suppliers will be treated equally and given the same opportunity to visit the college.</p> <p>Refectory food orders are placed directly by the Catering Manager without a purchase order. Emergency callouts will rarely have a purchase order eg a lift repair where the cost is unknown. On the rare occasions orders are placed by departments and the invoices arrive at the Finance Office without a purchase order, staff are reminded of the regulations. This happens in a small minority of cases and tend to be for lower amounts eg under £100. The budget holder will always authorise the invoice before payment.</p>
<p>65.9 – external audit planning document</p>	<p>Fees – given that this is year 2 and that the ‘additional’ procedures associated with year 1 are no longer required (i.e. to get to know the organisation / develop an understanding of processes etc) is there a potential for a reduction in audit fees (it is acknowledged that there may be further procedures around ensuring compliance with funding rules)</p>	<p>Scrutton’s have agreed to subsume within their fees, the extra work required as a result of the White Paper governance reforms, requiring their attendance at the December Corporation meeting, to present their annual report.</p> <p>The fees for this academic year have increased in line with CPI as per the original 3-year tender submitted 18 months ago. As pointed out above, the auditors are incorporating additional work without fee adjustment.</p>

