



**THE CORPORATION OF THE SIXTH FORM COLLEGE, COLCHESTER**  
**Minutes of the Audit Committee Meeting No. 66**  
**19<sup>th</sup> November 2021**

[Virtual Meeting held via Microsoft Teams]

**Chair:** M Atherton  
**Present:** M Sherer, C Goldsworthy, S Codling, J Owens, A Beatty  
**Attendees:** T. O'Connor (Corporate Services Partner, Scrutton Bland LLP)  
**Clerk:** T. Johnson

*Immediately prior to the meeting the usual audit committee/auditor meeting had been held. In advance of this meeting committee members had been asked if there were any matters of irregularity they wished to bring to the attention of the auditor. No matters were raised.<sup>1</sup>*

**66.1 Apologies for absence**

Apologies were received and accepted from governor, P. Barker.

**66.2 Appointment of committee members**

- 66.2.1 M. Sherer was unanimously appointed as a co-opted committee member of the committee, with full voting rights, for a one-year term commencing 19.11.2021.
- 66.2.2 The committee noted the corporation's decision to appoint C Goldsworthy as a co-opted committee member of the committee, with full voting rights, for a one-year term commencing 19.11.2021

**66.3 Appointment of committee chair and vice chair**

- 66.3.1 M. Atherton was unanimously appointed Chair of the committee for a 2-year term of office commencing 19.11.2021
- 66.3.2 S. Codling was unanimously appointed Vice Chair of the committee for a 2-year term of office commencing 19.11.2021

**66.4 Any other business**

None requested.

**66.5 Declarations of interest**

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

**66.6 Determination of confidential items**

- 66.6.1 Committee self-assessment survey outcomes  
A decision on whether the minutes recording the survey outcomes will be held as confidential will be made at the point of discussion.
- 66.6.2 Auditor meeting  
The minutes pertaining to the confidential meeting between the auditors and committee members will be held in confidential files

---

<sup>1</sup> See confidential minute No. 66

## 66.7 Minutes of meeting No. 65 held 29 April 2021

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

## 66.8 Matters arising

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

## 66.9 Policies, procedures and annual reports

### 66.9.1 Treasury Management policy

The Chair provided an overview of the policy which outlined the general approach to treasury management, highlighting that the annual financial planning cycle and the finance and strategic business plan will provide the detail of the strategy to be adopted in order to fulfil the 3-5 year strategic plan and objectives for the College.

The Chair drew attention to the key element of the policy i.e. ensuring a minimum amount is retained at all times in an instant access account other than at the bank used for normal banking services, thus ensuring that in the event of bank or college computer system failures or other similar critical incident the college could continue to operate.

In response to a committee member's query regarding the use of intermediaries. The Chair explained that the policy reflects current college practice. However, there are no restrictions within the policy that would prevent the Finance Manager from asking the committee for a waiver, if using an intermediary was deemed to be in the best interests of the College. A member of the committee provided advice on the benefits of using intermediaries including the cost savings associated with a reduction in resources/staff time and the potential for the increased effectiveness of the deposited funds.

The Finance Manager reported that at present the deposits are made with a view to obtaining instant access, rather than obtaining a high return. The Finance Manager explained the importance of using a 'high street' bank so that, in the event of a critical incident, the funds would be readily available. However, if interests rates were to rise the use of intermediaries may be reconsidered.

The Chair clarified that in the event surplus funds (over the amount set within the policy) were available, the matter would be referred to the committee. This would include seeking a waiver to use an intermediary, where appropriate.

The committee unanimously agreed that the **Treasury Management Policy** should be agreed and placed for approval by the Corporation at the next meeting

*Action: Clerk*

### 66.9.2 Counter fraud strategy

At the request of the Chair the counter fraud strategy was deferred to the next meeting.<sup>2</sup>

*Action: Clerk/Chair*

The following counter-fraud reports were deferred to the next meeting:

- annual fraud risk review
- fraud log
- report on staff training

*Action: College*

A governor asked for clarification regarding the use of the term 'counter fraud' in the context that 'anti-fraud' seemed to be more appropriate. The Clerk clarified the use of the terminology

---

<sup>2</sup> See email 25.11.2021

including the wording within ESFA documentation and offered to provide further information via email.<sup>2</sup>

*Action: Clerk/Chair*

### 66.9.3 Disposal of assets

The Clerk confirmed that the committee required a report on current practice. Following receipt, the committee will determine, whether there is a need for a discrete policy or protocol that would seek to mitigate against the inappropriate disposal of assets - including procedures detailing processes around the disposal of assets, and reflecting value for money, or whether these matters were already covered by the current practice and documentation.

*Action: College/Committee*

## 66.10 External Auditors' Final Audit Findings/Report – Financial Statements and Regularity for the year ending 31 July 2021

66.10.1 T. O'Connor, Audit Partner presented the Auditor's Report to the Audit Committee.

T. O'Connor ('the Auditor') highlighted the 2 opinions given on the Financial Statements i.e. an audit opinion of the financial statements (accounts) and an accountant's report around regularity. Based on the work that had been carried out during the audit, the auditors had been satisfied on all areas. The Auditor was therefore pleased to report that both opinions were clean opinions.<sup>3</sup>

### 66.10.2 Report to the Audit Committee

The financial statements audit and assurance work on regularity were carried out in accordance with the audit plan agreed by the Committee. The Auditor reported that there were no significant issues around operating practices and no significant operational process recommendations to bring to the attention of the Committee.

66.10.3 **Management override of controls:** as described in the audit plan, particular attention was paid to these areas during the course of the audit. The audit had confirmed that there were no issues that needed to be brought to the attention of the Committee.

66.10.4 **Going concern:** due to a fundamental change to reporting requirements, auditors are now required to report positively, rather than by exception. The audit report confirmed that although the College is forecasting a small operating deficit for the 2021/22 year and there are some long-term unknowns around the increased Teachers' Pensions contributions and teachers' pay awards, the auditors do not consider that the going concern basis would be impacted in the short term - predominately due to the healthy balance sheet and strong cash position.

66.10.5 **Future uncertainties:** the Auditor advised the meeting that the Committee and the Corporation as a whole, should remain vigilant to; the continued uncertainty and ongoing effect of the Coronavirus (Covid-19) pandemic and the impact that Brexit may have on the current and future economy. Committee members were satisfied that risk registers are in place and reviewed regularly with the aim of managing and mitigating any potential risks.

The auditors had therefore been able to **confirm** the Corporation's **going concern** assessment.

66.10.6 **Auditing developments:** It was noted that this year the audit report was required to include narrative explaining to what extent the audit was considered capable of detecting

---

<sup>3</sup> When an auditor is able to satisfactorily conclude that in all material respects the financial statements are a true and fair view, free from material misstatement

irregularities, including fraud. This work included a review of the policies and procedures to ensure compliance with key regulations.

66.10.7 **Audit and accounting issues:** The Auditor drew the Committee's attention to two critical areas:

- **Cyber Security:** the education sector as a whole is under constant threat from cyber-attacks. Criminals seeking to take advantage of the changes in working practices e.g. working remotely or hybrid working. The Auditor counselled that vigilance needs to be maintained in order to ensure the College is alert to any emerging issues and threats in this area.
- **General Fraud Risk:** a considerable increase in fraud e.g. payment and procurement fraud involving significant sums, has been witnessed across the sector. The increase seen following the first pandemic lockdown, when ordinary processes were necessarily adapted, had been particularly noticeable. The Auditor advised that fraud is a constant threat and there should be ongoing vigilance particularly around changes to supplier payment details.

In response the Chair confirmed that both of these areas will be high on the risk register.

66.10.8 **Emerging issues - reporting standards:** the Auditor reported that the next SORP update is expected to include IFRS16 requiring the capitalisation of some operating leases. The Auditor confirmed that the committee will be kept informed of any updates.

The Auditor concluded the report to the audit committee by expressing thanks to the Finance Manager and her staff, for their support in facilitating the audit.

66.10.9 **Cyber security:** in response to a governor's question regarding cyber-attacks, the Auditor was asked for an opinion on; where the College is placed with regards to protection in comparison to the rest of the sector and whether there are any particular areas where the College may be exposed?

The Auditor responded by explaining that in general there is a heightened cyber security risk for public sector organisations, predominately due to the higher levels of investment in IT systems in the public sector. Across the education sector the challenge, particularly during the pandemic, has been balancing the risk of lowering security levels, in order to allow staff and students remote access and engagement whilst accepting that instigating the very highest levels of security to mitigate against cyber-attacks would mean that colleges would not be able to operate. In this context, there will always be an acceptance of a level of risk around cyber-security.

In response to a governor question, the Assistant Principal confirmed that cyber-security features high on the risk register The Assistant Principal (External Examinations & Risk) provided a verbal overview of the actions taken in relation to cyber security, reporting that at the beginning of the pandemic the College was in the fortunate position that no changes to security limits were required as remote access to college-systems had been in place and operating securely prior to the pandemic.

It was noted that the College has been asked by its insurers to set up a multi factor authentication on remote access systems and mobile devices. The College's IT department constantly assesses the College's security and takes appropriate action, such as the recent disabling of all legacy client accounts.

Although, cyber-attacks take on many forms and the recent, successful attack on the Colchester Institute highlighted how crippling an attack can be on college operations, the College's high-level security protocols provide significant reassurance.

The Auditor, in the context that each end point user is a potential weak point, stressed the importance of ensuring all users are aware of the risks and therefore the need for constant re-training exercises is vital.

The Chair led congratulations to the Finance Manager and her team, for the clean report.

## **66.11 Audit Committee's Annual Report**

The Chair introduced the report explaining the rationale for the differences in format and composition, of the committee's 2020/21 report.

The Clerk advised the meeting that the purpose of the report is to summarise the committee's activities during the year, providing independent assurance to the Corporation that its financial and non-financial controls and risk management procedures are effective, thereby informing the Corporation's consideration of the annual report and financial statements. In response to a governor question, the Clerk confirmed that a copy of the annual report is provided to the ESFA and published within the narrative of the Annual Report and Financial Statements, which the Corporation is required to publish.

A governor commended the report and the change to ensuring governor reports were drafted by the governance professional/governors.

The committee agreed that approval of the report would be requested after receipt of the updated risk register and board assurance map and the outcomes of the committee's decision regarding the appointment of internal auditors [minute 66.13 & 66.14 respectively]

*Action: Clerk/ Committee Members*

## **66.12 Annual Report and Financial Statements [Accounts] for 2020/21**

66.12.1 The Committee reviewed the external auditors' letter of representation in conjunction with the draft Annual Report and Financial Statements for the year ended 31 July 2021.

66.12.2 The Chair provided an overview of the preparation of the Corporation's annual report drawing attention to the narrative and in particular sections of the report that required further consideration. The Chair informed the meeting that the report will be reviewed by the Clerk, in consultation with the Chair and proposed revisions circulated to members for approval. Managers were thanked for their contributions to the report. The Auditor reminded governors that the audit does not scrutinise the governors' annual report - the content and accuracy of the narrative is the responsibility of the Corporation.

*Action: Clerk/Chair/Committee Members*

66.12.3 **Performance indicators:** a member of the Committee raised a query in relation to the performance indicator calculations, detailed within the narrative section of the annual report, which differed to the calculations within the financial statements - staff costs were reported as 81% and 84% respectively. The Auditor advised that the inclusion of an explanation within the Governing Body report clarifying how the figures are calculated would be helpful to readers of the report.

In response, the Finance Manager explained that the ESFA methodology used for the financial statements calculations differs to the standard method of calculating staff costs. The Finance Manager offered to circulate, via email, the KPI methodology. It was agreed that in future years an explanation for the differences would be included within the annual report.

*Action: College*

The **Financial Statements** section of the Annual Report and Financial Statements was **agreed** and will be recommended to the Corporation for approval.

*Action: Clerk*

## 66.13 Risk management 2020-2021 and board assurance

The Assistant Principal (External Examinations and Risk) and Committee Vice Chair, reported on meetings held and the progress made towards the formulation of a new risk recording, reporting and board assurance framework. Example documents showing how the proposed levels of assurance would interconnect to provide the Corporation with a robust and analytical framework, were presented by the Assistant Principal.

The Vice Chair informed governors that the new framework will ensure that the strategic risks are clearly identified, facilitating focussed and robust strategic discussions on the risks that may pose a threat to the achievement of the strategic priorities. Each risk will be 'owned' by an individual within the College. The Committee will still be able to request 'deep dives' into any of the risks on the register and the full risk register will continue to be presented, at least on an annual basis.

As it has been agreed that the agenda for the new spring term meeting will focus on risk and assurance, the revised framework and full register will be placed for approval at the meeting to be held 24 February 2022.

**Action: College/Committee Vice Chair/Clerk**

The Clerk advised the meeting that governors will need to consider the 2021/22 risk framework documents before agreeing the committee's annual report and the Corporation will require the risk register for consideration alongside the 2020/21 Annual Report and Financial Statements.

It was agreed that the 2020/21 risk register as updated at year end, alongside the new format Board Assurance Map which incorporates the prior action plan document (main risks only) would be circulated to members, prior to electronic approval of the committee's annual report.

**Action: College/Clerk/Committee Members**

The committee's thanks were expressed to both the vice Chair and assistant principal for their work in redrafting the risk assurance framework.

*12.36 M Sherer left the meeting*

## 66.14 Annual report on internal control systems & consideration of internal audit needs 2021/22

66.14.1 The Chair reminded governors that it is 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.

66.14.2 **Annual report on internal control systems:** the committee was informed that due to the need for the finance manager to work remotely due to Covid related matters, the annual assurance pro-forma completed by managers, certifying that the internal control systems have operated during the year without any material changes to the relevant systems was not currently available.

The committee were reminded that the Post 16 Audit Code of Practice now places an emphasis on the board justifying their position where it has been decided not to engage internal audit. Therefore, if the decision is not to engage internal audit governors should ensure they have a valid and documented reason.

The Chair asked the senior managers present, if there were any specific areas that required or would benefit from internal audit.

Senior managers indicated that from an operational and management point of view, the financial and the staffing resource implications outweighed the value that would be attained from an internal audit. Additionally, due to extenuating circumstances, the senior



management team are currently operating at reduced capacity and therefore facilitating an internal audit at this time would be exceptionally difficult.

In response to a management question. The Auditor advised that compared to internal audit the level of assurance that an external audit can provide around lower level systems, processes and controls is very limited.

The Auditor informed the committee that in every organisation there will be an area that could benefit from external scrutiny, particularly in areas that have been subject to change or are fast moving, such as cyber security. In these areas reaching beyond the expertise available within the college will add value, which would provide assurance for the committee and the board that everything is operating as it should. The Auditor advised that although there must be a perceived benefit, limited management time would not be considered a reasonable argument for not engaging internal audit.

The Auditor counselled those present, that there should be an openness between management and the committee, that welcomes challenge and the fresh set of eyes and ideas, that internal audit could bring. A change in mindset to thinking positively about the benefits of internal audit would likely benefit the organisation.

The Committee's Vice Chair offered her guidance and reassurance around the perception that an internal audit subsumes vast amounts of staff time and provided reassurance that internal audit when viewed as a supportive action need not be an onerous task.

The Committee agreed that internal audit work should only be undertaken where it can provide benefit and assurance, and should be driven by the board assurance map. In the context that the work on revising the risk assurance framework will be completed for presentation at the next meeting, it was agreed to defer a decision on internal audit.

In light of the committee's decision the Clerk was asked to revise the relevant section of the Committee's annual report.<sup>4</sup>

**Action: College/Committee Vice Chair/Clerk**

*The Chair thanked the auditors, finance manager and Assistant Principals for their contributions to the meeting and supporting documentation. The Finance Manager was given special thanks for offering to attend the meeting whilst suffering with Covid symptoms.*

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

---

## **PART B CONFIDENTIAL MATTERS**

---

### **66.15 Audit Committee's self-assessment**

66.15.1 **Outcomes of the self-assessment questionnaire:** the committee self-assessment questionnaire, circulated in advance of the meeting had been completed by individual committee members. The survey showed that members judged the committee to be effective.

Training: during the March 2021 governance week members of the committee had engaged with the finance and audit training made available and had led/joined the strategic risk management discussion session.

#### 66.15.2 Individual Responses

**Are papers distributed to committee members in sufficient time?** 1 respondent answered 'no'.

---

<sup>4</sup> The Committee's annual report was subsequently revised, unanimously agreed and presented to the Corporation 13.12.2021

The Clerk reported that ordinarily the papers for the audit committee are received and prepared by the Clerk in good time. There had been considerable difficulties for the current meeting due to several one-off issues: confirming authorship of the committee's annual report as discussed during the meeting with the auditor, the Finance Manager working remotely due to contracting Covid and significantly, the close down of college remote access systems due to a cyber-attack the day before the meeting. The clerk informed committee members that the decisions made regarding the clerk drafting annual governance reports will have a significant impact on when reports are presented and will allow governors to have an input prior to the final draft presented at the audit committee meeting.

A governor suggested that moving to 3 meetings a year will also help as the autumn term meeting where annual report deadlines and other matters influence the receipt of papers will become 1 in 3 of the committee meetings, rather than the 50% of meetings that is currently perceived.

[Is the timing of audit committee meetings discussed with all parties involved?](#) 2 respondents answered 'no'.

The Clerk reported that dates are set and agreed by the Corporation a year in advance. Where changes are required the Clerk tries to accommodate everybody's availability and preferences but this is not always possible. Governors acknowledged the positive impact the introduction of Teams had on governor availability and some governors present suggested that they felt included in conversations about changes to meeting dates and/or times.

[Other comments:](#) 1 respondent answered this question with a request for the Clerk to provide example best practice audit committee questions particularly on the strategic processes for risk and control.

#### 66.15.3 [Committee self-assessment](#)

In the context that a review of the years' agendas shows that some matters are outstanding; committee performance was self-assessed as **'good'**.

#### 66.16 **Review of auditor performance**

The Clerk informed committee members of the requirement and formal processes for the annual review of auditor performance, in accordance with the Corporation's policy and procedures. The Clerk reported on discussions held with the Auditor regarding the timescales for notification of re-appointment, if appropriate. It was agreed to defer the review to the next meeting.

#### 66.17 **Appointment of auditor**

Consideration and recommendation to the Corporation of the external Auditor for the 2021/22 year - item deferred to the next meeting.

#### 66.18 **Retention of documentation**

*See confidential minute No.66.18 - 19<sup>th</sup> November 2021 [2]*

*There being no other business the Chair closed the confidential section of the meeting at 13.13*

*These minutes were confirmed by the committee as a true record on 24.03.2022*

*Minute No 67.5(i)*