



**THE CORPORATION**  
*of*  
**THE SIXTH FORM COLLEGE, COLCHESTER**

Minutes of Audit Committee Meeting No. 68

12 May 2022

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Meeting held by virtual conferencing facility

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**Chair:** M Atherton

**Members**

**Present:** S Codling, J Owens, A Beatty

**In**

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

**Clerk:** T. Johnson

**68.1 Apologies for absence**

Apologies were received and accepted from Chris Goldsworthy and Mike Sherer, who had provided prior notice that due to the change of date, they would not be able to attend the meeting.

**68.2 Any other business**

The Chair, in recognition that due to impending retirements this would be the last Audit Committee meeting attended by E. Gibson, Finance Manager and A. Johnson, Assistant Principal, led thanks to both managers for their contributions to the work of the committee.

**68.3 Declarations of interest**

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

**68.4 Determination of confidential items**

All matters under the confidential section of the agenda.

**68.5 Minutes of meeting No. 67**

The minutes of meeting No. 67 held 24.03.2022 were agreed as a true record of the meeting.  
[see also confidential section]

**68.6 Matters arising**

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

## 68.7 Policies, procedures and annual reports

### 68.7.1 Counter Fraud Strategy

The Chair thanked college managers for providing their comments on the content of the draft counter fraud strategy. The Chair informed those present that the feedback required further consideration after which the draft strategy would be circulated to members of the committee, prior to seeking approval by e-resolution. An update on action taken will be given at the next meeting.

**Action: Committee Members/College**

*14.12 At this point S Codling joined the meeting*

### 68.7.2 Counter fraud annual reports

The following counter-fraud reports were noted as follows:

#### (i) Annual fraud risk review

The Assistant Principal informed the meeting that as fraud is covered by and monitored as part of the risk register, this could be considered the annual report.

In response to governor questions the Clerk advised the meeting that the annual report would include such matters as;

- a summary report of the fraud risk assessment, to identify areas most vulnerable fraud
- the main fraud indicators and the risk factors associated with potential fraud
- the actions taken during the year to prevent and detect irregularities and suspected fraud (including theft, bribery and corruption)
- an update on the smart targets set as part of the counter fraud strategy

The Clerk advised that in future years (assuming relevant sections of the draft counter fraud strategy are) the annual report would form part of the annual counter fraud strategy review.

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

#### (ii) Fraud log

The format of the fraud log was agreed. The log showed there had been no incidents or suspected incidences of fraud, during the past 12 months.

The Chair asked college managers whether known 'phishing' attempts should be recorded on the log. The Assistant Principal (Risk) advised members that as phishing attempts are externally generated, they would not, for the purposes of the log be considered 'fraud' - a successful phishing attack would be classed as 'theft'. Additionally, due to the numbers involved, it would not be possible to record all phishing attempts and therefore the accuracy of any report would be doubtful.

The log will be presented at least annually, as part of the counter fraud strategy annual review.

**Action: College**

#### (iii) Report on staff training

The Auditor advised members, that the report on staff training was a very relevant part of the annual assessment particularly where there hasn't been any suspected or actual fraud reported. The fraud awareness and prevention report outlining the training that is embedded in College systems and activities and routinely undertaken staff was

considered. Members noted the fraud awareness training delivered to finance staff by Lloyds Bank.

Highlighting the statement 'The key functions aimed at preventing fraud, lie with college managers who promote an anti-fraud culture across the college and fraud awareness amongst staff.' Whilst recognising that awareness drives the internal anti-fraud culture, the Chair queried, whether promoting an anti-fraud culture and fraud awareness should be intrinsic across all staff? College managers explained that it is Senior Managers who are the ones most likely to be in a position to be able to drive that awareness. It was agreed that the training report will be presented annually as part of the counter fraud strategy.

**Action: College/Clerk**

### 68.7.3 Disposal of assets

With reference to the briefing note provided in advance of the meeting and in response to the decision not to engage internal audit, members considered the report on the asset register and the procedures for the disposal of assets, provided by the Finance Manager in advance of the meeting.

The Finance Manager also provided a verbal overview, highlighting the procedures in place including the maintenance of records showing the fixed assets and depreciation, within the current year. Members were informed that disposals only occur when the current life of the asset is exhausted and no longer usable in its current format.

In response to members questions, the Clerk advised members to consider whether, in the absence of internal audit, they were assured that there is an effective asset management system that provides for all assets to be recorded and disposed of appropriately, evidences that assets are appropriately valued and depreciated and the boards accounting policies are being consistently implemented.

T. O'Connor ('Auditor') reported that the fixed asset register is tested and the accounting policies and their application reviewed, as part of the external audit works. In response to a governor question the Auditor confirmed that this includes monitoring any significant profits or losses which may indicate an issue with the depreciation policy. The Auditor suggested that, in the context of the Clerk's advice, there would be validity in annually reaffirming the boards contentment with the accounting policies that are being adopted.

A question was raised regarding the disposal of laptops relevant to confidentiality /GDPR breaches. The Assistant Principal (Risk) explained the disposal process and confirmed that the laptops are cleaned of all data prior to disposal.

A governor suggested that there was a potential for low value assets i.e. those that do not reach the threshold for inclusion on the asset register, to 'disappear' and where accumulative over time, to become a significant loss. The Assistant Principals replied that it was unlikely that this would occur and highly unlikely that an accumulative issue would go unnoticed.

It is planned that a 'walk through' of the fixed asset register and the alignment of the register to the policy will be agenda items for the next finance lead governor /Finance Manager meeting.

Following a question from the Chair, members of the committee confirmed they had received adequate assurance and were comfortable with the robustness of the controls in place and therefore a discrete disposal of assets policy was not required.

**Action: Finance Lead Governors/Finance Manager**

#### 68.7.4 Financial Regulations 2022/23

The Finance Manager presented the draft Financial Regulations for the 2022/23 academic year. It was unanimously agreed to recommend approval of the Regulations to the next meeting of the Corporation to be held 16.05.2022.

*Action: Finance Lead Governors/Finance Manager*

### 68.8 Risk management and board assurance 2021-2022

#### 68.8.1 Board Assurance Map and Risk Register

The Assistant Principal (Risk) provided an overview of the May 2022 board assurance map update, circulated in advance of the meeting. Members commented positively on the value of the descriptive updates.

The Assistant Principal provided additional verbal updates on the following points:

- Applied General courses
  - It is now known that none of the College's courses appear on the government's 'at risk' register
- Business systems and IT (relating to cyber security and disaster recovery)
  - following on from the JISC consultancy (disaster recovery) visit (report due imminently), a disaster recovery simulation will be carried out during the summer period. The Assistant Principal (Risk) advised that the JISC report would be a report to management rather than to governors
  - the awarding criteria, set by the National Cyber Security Agency for the Cyber Essentials Plus certification has become an unrealistic goal for educational institutions. The College be applying for Cyber Essential re-accreditation. Although some elements of the Cyber Essential Plus framework will be implemented, the College will not seek reaccreditation
  - multifactor authentication and stronger password requirements were successfully implemented across the College.

A governor asked the Assistant Principal to explain whether there would be any negative impact of not holding the Cyber Essential Plus accreditation. The Assistant Principal reported that there would be no negative impact. The funding agreement no longer mentions Cyber Essentials Plus - in order to be compliant with the current funding agreement the College needs to be 'working towards' Cyber Essentials.

Members discussed the period of time they required the chronicle of updates to be included on the BAM. In the context that the Assistant Principal and Clerk retain all documentation, it was agreed that only prior updates of relevance to current or emerging issues should be retained and presented alongside the most recent update at committee meetings. It would however be vital for specific actions and reporting deadlines to be highlighted.

#### 68.8.2 Risk Management Policy

The Chair drew attention to the briefing paper provided in advance of the meeting, which provided the narrative around the three aims of a risk management policy. The Assistant Principal (Risk) confirmed that these aims had been considered and were reflected within the draft policy (or associated documents e.g. risk register). The Clerk reminded members that although the board may delegate elements of the policy, it must retain overall responsibility. The policy with minor revision to role tiles was agreed.

*Action: College/Clerk*

## 68.9 Consideration of internal audit needs 2021/22

The Chair reminded those present that although the committee had not recently engaged internal auditors, it had previously been agreed to obtain additional assurance by inviting the managers of particular risk areas to committee meetings. The attendance would allow members to receive assurance that the internal controls instigated are appropriate, effective and being undertaken on a timely basis.

The Chair asked managers whether there was any area within the College that would benefit from internal audit, including assurance gained from receiving a 'clean bill of health'. The Assistant Principal (Risk) identifying Cyber as an area of risk scoring highly on the BAM assured members that the risk is well covered by the actions highlighted on the risk register/board assurance map and is currently subject to JISC testing and reporting. Therefore, an audit, in this area and particularly at this time would not be value for money.

Although there were no areas immediately identifiable as requiring internal audit, the committee agreed that 'deep dives' in to specific risks on the risk register i.e. those flagged as significant but effectively managed and mitigated and / or the receipt of relevant reports e.g. JISC consultancy report on disaster recovery- in order that members could better understand what the findings are, would provide the additional assurance members required.

It was agreed the Health & Safety Officer should be asked to attend the autumn term meeting and the Director of IT Systems asked to attend the spring term meeting.

*Action: College/Committee Chair/Clerk*

## 68.10 External Audit

### 68.10.1 Audit Planning Letter 31.07.2022

The Chair invited T. O'Connor to present the report to the Audit Committee.

The Audit Plan, circulated in advance of the meeting included 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.

The Auditor drew attention to section 4.2 of the report highlighting the new requirements that will impact the 2022 year-end report and accounts. The changes within the ESFA Accounts Direction were noted as predominately arising due to an alignment with charity commission requirements. These changes include:

- in line with the requirements for charity trustees the statement of corporate governance and internal control must include a report on activities undertaken over the year to develop members of the board and the governance professional
- a report on whether the corporation has conducted/commissioned an internal or external review of governance. This sits alongside the requirements introduced to report on compliance with the adopted governance code/s
- a repositioning of the statement on regularity and propriety as being primarily a statement on the part of the accounting officer
- further clarity re the circumstances that require Charity Commission approval for the payment of members' expenses

Related party transactions again feature in the Accounts Direction. It is expected that in the future the parameters will change to reflect the academy trust position on related party transactions.

**Key audit areas:** In response to a governor question re the key audit areas identified by the risk analysis i.e. income recognition, management override of controls, Accounting Officer – disclosures, the Auditor explained that these are significant risks and the audit approach is tailored accordingly. Based on risk assessment it is appropriate to take lower sample sizes in some areas whereas other areas e.g. management override of internal controls, would automatically be considered 'high risk' and therefore key audit areas. The Auditor confirmed that the final report would, as appropriate, provide members with assurance around these key audit areas.

The Chair clarified that the key audit areas are generic and applicable to the majority of FE colleges.

**Clerk/Governance Professional:** in response to a governor query regarding the terminology used within the Audit Plan (4.2), the Auditor clarified that clerks are also referred to as governance professionals.

**Brexit:** a governor requested the wording in 3.2.2 of the Audit Plan to be changed to reflect a view that the long-term implications of Brexit are clear. The Auditor explained that although the long-term inflationary factors are clear, the impact of some Brexit outcomes are still unclear. For example, staffing shortages. So far, the shortages have only occurred in some of the sectors expected to be affected. However, there is still an expectation that these shortages will occur. The Auditor agreed to make minor wording revisions to the text.

In response to a governor question regarding the end dates for the energy contracts (gas and electricity), the Finance Manager explained that fixed term contracts were secured in 2021 which has mitigated some of the impact of price increases in this area in the short term. Members expressed grave concern at the energy cost forecasts and the impact any significant rise in energy prices will have on the College's budget.

#### 68.10.2 External Audit Fee

Members noted that the audit fees of £14,750 (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) and in accordance with the initial 3-year audit tender, thus resulting in a 6.2% increase in fees compared to the previous year.

#### **Members unanimously approved the External Audit Plan and Letters of Engagement**

The Auditor was thanked for presenting the Audit Plan

#### 68.11 Committee terms of reference 2022/2023

The Clerk introduced the draft standing orders and terms of reference which had been revised to take account of the new requirements of the Audit Code of Practice, the requirements of the current DfE FE & SFC governance guide and the Corporation's operational practices.

##### 68.11.1 **Membership:** a governor raised a query regarding the new text re the appointment of members to the audit committee.

*'co-opted appointments will usually be made in the context of skills gaps identified by the committee or as suggested by the Search and Governance Committee',*

The governor suggested that the new text introduced a conflict of interest as the Chair of the Corporation was also ex-officio chair of the Search and Governance Committee and could exert undue influence on the Audit Committee by ensuring the Search and Governance Committee recommended their personally preferred candidate. The Clerk elucidated the Search and Governance committee's role in both ensuring skills/competency gaps are addressed and in the appointment of members. The Clerk highlighted that the new text allows for the Search and Governance Committee, in both the context of where a skills gap may be emerging, and where a vacancy had occurred, to 'suggest' rather than 'impose'.

It was agreed to revise the wording to

*'Co-opted appointments will usually be made in the context of skills gaps, which may be identified by the committee or suggested by the Search and Governance committee.'*

The governor raising the issue confirmed that this satisfied the point made.

- 68.11.2 **Legislation:** a governor requested an insertion to the historic wording, to clarify that the education legislation applicable to the responsibilities of corporation's is domestic legislation. It was agreed to add '....applicable in England'. The governor confirmed that this satisfied the point made.

The draft standing orders and terms of reference were agreed for recommendation for approval at the July 2022 Corporation meeting.

*Action: Clerk*

## **68.12 Date of the next meeting**

It was agreed that in order to accommodate the availability of committee members and the availability of the Health & Safety Manager, the date of the next meeting would be Tuesday 22<sup>nd</sup> November at 2.30pm

*The Chair, on behalf of the committee, thanked the Finance Manager and Assistant Principals for their contributions to the meeting and reiterated the committee's thanks to E Gibson and A Johnson for their contributions to the work of the committee during their time at the College.*

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

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## **PART B CONFIDENTIAL MATTERS**

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## **68.13 Confidential minutes of meeting No. 67**

The confidential minutes of meeting No. 67 held 24.03.2022 were agreed as a true record of the meeting.

There being no other business the Chair closed the confidential section of the meeting at 15.27

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*These minutes were confirmed as a true record of the meeting on 12.05.2022 Minute No. 69.7*

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