VARNDEAN COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON TUESDAY 15TH MARCH 2022 AT 9.00 A.M, virtual Meeting via G. Meets

Present:	Paul Herridge, Richard Seager, Alan Walker (Chair), Brendan Ward
In Attendance:	Elaine French (Vice-Principal Resources), Donna-Marie Janson (Principal), Louise Pennington, Scott McCready (Internal Auditor Wylie and Bisset) – until the end of item 5.
Apologies:	None
Welcomes:	None
In the Chair:	Alan Walker

The meeting was quorate.

1. Apologies for Absence and Welcomes

As above.

2. Declaration of Interests

None.

3. Minutes of the Meeting held on 2nd December 2021

The minutes were approved by the Committee and the Chair authorised to sign them, subject to some typographical points raised by Richard Seager and shared by e mail and recorded as follows:

"Page 3 item 5 - 5th and 7th bullet – "over-rider" should read "over-ride"
Page 3 item 5 - 6th bullet – remove unnecessary comma.
Page 5 - 3rd bullet from the end, second sentence, regarding the current ratio – "point of you" should read "point of view"
"Page 8 IA of Student Records - 1st bullet point suggests that the report has 4 grades whereas you mean that generally ANY IA report may contain one of the opinions you have listed - just a context issue here?"
ACTION: Louise Pennington

In response to questions from the Committee, Elaine French confirmed that draft financial statements had been finalised with no further adjustments and that these had been submitted to the ESFA and placed on the College's website and secondly the as recorded in the action points schedule, the IT Security Audit, had been renamed the IT Systems Audit.

4. Matters Arising

a) Action Points progress report

The various actions which had been marked as "done" were noted and it was confirmed that the actions would be removed from the actions' schedule for the next meeting. The items listed which were included on the current agenda were also highlighted.

- **GDPR –** it was confirmed that this had been included in the internal audit plan and that the audit work was scheduled to be completed next month, commencing on 4th April 2022. A report arising from the internal audit work, will be presented to the next Audit Committee meeting.
- **Critical Incident Plan –** as noted, activity in this area had been postponed owing to Covid and Elaine French confirmed that a desktop scenario testing exercise involving SLT had been scheduled for Spring 2022 and would be completed before the next Audit Committee meeting, where an update would be given.
- **Internal Assurance items –** the work already completed was noted, together with activities which were due to be completed later this year in accordance with the agreed Internal Audit Plan.

b) Rolling Action Plan

The Committee noted the contents of the rolling action plan which Elaine French introduced. Regarding the "uncleared cheques" item in 2021/2022, Elaine French confirmed that this matter equating to £585 in total, had been identified at the last External Audit, as listed in the College's finance system, noting that they had not yet been cleared. It was explained that the College's normal practice would be to write back the cheque amounts after 6 months, although in reality the bank would usually still clear the cheques later than this sometimes even after 12 months. The External Auditors will follow this up at the next audit and the Committee noted that these were minor amounts.

The Committee noted that all the other points listed were being dealt with or had been done and that each point would be reviewed by the Internal Audit at the next "follow up" audit.

5. Internal Audit Reports

Scott McCready – presented the following Internal Audit reports, highlighting various points as recorded below, followed by questions from the Committee.

a) IT and Security Audit

- Should the Committee have any specific technical questions, it was noted that these would be referred to the Auditors' specialist IT Auditor.
- Page 2 set out the purpose and objectives of the audit work and noted the IT controls in place which were checked and operating effectively.
- Page 3 to 5 Information on the IT arrangements in place, including policies/procedures, network monitoring, malware prevention, disaster recovery, wireless and other security aspects. It was noted that the work carried out related to each of the objectives set out on page 2 of the report, with the details/outcomes recorded on pages 5 and 6 of the report.
- Page 7 conclusions – noting that the Auditors were able to provide a substantial level of assurance, being the second highest category, with 2 medium category recommendations having been raised.
- Furthermore, during the testing audit work, the Auditors identified 12 good practice points which were recorded on pages 8 – 12, including physical security in respect of

the server rooms, IT support in place, security anti-virus and change management, user access, hardware and remote access controls.

- In terms of benchmarking with the Auditors other clients, the Committee was informed that the average recommendations were 5, including 1 classified as high level, which demonstrates that the College compares well with other educational institutions, having only 2 medium recommendations.
- The first recommendation related to the disaster recovery plan which is out of date and the recommendation is to update this to incorporate information relating to non-key staff, third parties and vendors, with a priority towards systems to be restored if required and information relating to cloud based systems incorporated within the document, together with priorities regarding which IT related areas should be brought back following a disaster. In effect, the Plan needs to reflect what is already known and in place but not recorded in the Plan.
- The second recommendation relates to penetration testing and vulnerability scanning, which has been done in the past, but there was no record of the specific date. Hence the recommendation would be to undertake a regular penetration test biennially or after a significant change in the network, to take into account any potentially vulnerable aspects, following any change.
- Page 18 was also highlighted relating to monitoring required in respect of USB usage by Students, to check what is being used on the College's systems.

Questions from the Committee:

- In response to a question regarding the number of audits included in the benchmarking exercise referred to above, it was noted that the Auditors' education clients were in the region of 40, but that the sample size in this instance, was in the region of 30.
- Noting that reference was made in the report to an appropriate set of policies and procedures being in place, the Committee asked how compliance with these had been tested during the audit work. In response, Scott McCready checked his records, as this part of the audit had been carried out by the Auditors' specialist IT Auditor, and confirmed that the Auditor had met with Dan Harman, the College's Systems expert, discussed the controls in place with confirmation sought via evidence shown on screen, reviewed relevant files which supported the conclusions reached and had taken screen shots of the various evidence/controls provided within the sample areas investigated. Scott McCready stated that as part of their work the Auditors confirmed that College practices complied with the procedures and policies that were in place.
- In response to a question from the Committee regarding the actions required e.g. disaster recovery plan and penetration testing, Elaine French confirmed that she had scheduled the work to be taken forward and that an update would be provided to the Committee, notwithstanding the fact that the internal auditors would also track this action via the rolling action plan/follow up in next year's plan.
- SLT recorded thanks to Dan Harman, who worked with the Internal Auditors during the IT Systems Audit and recognising his skills and experience, which have consistently provided SLT with confidence in the College's IT Security.

b) Staff Wellbeing

The contents of the internal audit report were noted by the Committee, with the key points and outcomes highlighted by Scott McCready. The following points were recorded:

- A strong level of assurance (the highest possible category) was concluded following the audit work and noting the same format of the report compared to that provided in a)
- Purpose – the Auditors looked at the processes in place in order to monitor Staff wellbeing, together with a record of the various arrangements in place.
- The employer wellbeing policy for Staff was reviewed to ensure compliance and the action plan and support in place for staff was considered too.
- Pages 6-8 detailed the work undertaken to complete the audit work compared to the objectives set out in page 2.
- Page 9 – conclusion, setting out the reasons for the strong level of assurance awarded, with no recommendations for improvement.
- Pages 10-13 listed the good practice points – 23 in total.
- A benchmarking exercise was again completed with other Colleges, with the average College having 1 low grade, whilst there were none at Varndean College.
- 2 observations were raised arising from the questionnaires issued to Staff, specifically Teaching Staff, where some low levels of morale had been highlighted, together with some improvements suggested to support Staff including length of opening evenings, and change date to Summer Term, lunch break events etc. Other concerns which had been raised by Staff, but were understandable in light of Covid and particularly lockdown – working at home and long hours on lap tops, with social distancing making it difficult for Teachers (and Students) with on line learning. The Auditors recommended that the College should consider the responses from the Staff questionnaires, if they had not already done so.

Questions from the Committee:

- The Committee asked Management whether, based on the points raised above, were there any particular aspects for SLT to reflect upon. In response the Principal highlighted the unusual and extreme circumstances created by Covid, which had accounted for the issues raised by Staff, and that the pressure on Staff particularly in terms of online lessons for Teachers had been recognised, although noting that this was difficult to mitigate at that time. If another similar scenario was likely to occur and in particular a lockdown, SLT would survey Staff to invite suggestions on how SLT could better assist and alleviate some of the issues identified. Whilst Staff were absent from the site, the College did take the opportunity to carry out some refurbishment in order to help support a return to the site and build back the College community, including refurbishment of the Staff room.
- The Committee congratulated SLT and Staff for the work carried out during this difficult period and also for achieving such an excellent wellbeing audit report.
- On the suggestion from the Committee it was agreed that the outcomes from this report should be more widely circulated to Staff and the Principal agreed to action this. **ACTION: Principal**
- The Committee referred to the section on compliance with the College's policies and procedures and Scott McCready confirmed that checks had been carried out and that the College fully complied with the policies and procedures that were in place. It was also noted that the measures used and referenced with the scoring points (4/5 or 5/5 etc) were taken from the Carnegie Centre of Excellence (national benchmarks), which were not therefore set by the Internal Auditors. The Principal explained further

that this related to a national Staff Wellbeing Medal Scheme and that the College was participating in this with the aim of working towards achieving the Gold Medal status.

- The Committee queried whether the audit days allocated at the outset, had been sufficient and Scott McCready confirmed that the Auditors had managed to complete their work in the timeframe set out. He explained that this was assisted by the College Staff providing documents and other information requested quickly and in meetings called being arrangement promptly too; he recorded his thanks for this, noting that there had been a good overall experience for the internal audit Team.

The Audit Committee thanked the Auditors for their work noting that the Reports would be included in the Corporation meeting papers. **ACTION: Elaine French**

Scott McCready left the meeting.

At this point, Elaine French confirmed that despite any initial reservations regarding the distant/remote internal audit arrangements, the process had in fact worked very well and was a positive experience for all Staff involved.

6. Risk Management

a) **Summary Sheet**
b) **Proposed Risk Matrix**
c) **Risk Register and Action Plan**
d) **Risk Assurance Map**

Elaine French introduced the meeting papers and confirmed that she had drafted the new matrix, which once the risks had been agreed with the Committee at today's meeting, the revised risk register would be approved.

At this point the comments submitted by e mail by Governors prior to the meeting were noted, including the various incomplete risk ratings, risk matrix time frames not included in respect of the various categories such as "likely" and "very likely" etc and other elements in the documents which need to be updated and removed as per the last meeting's discussions. Elaine French advised that she had prepared the new matrix for the Committee's discussion and agreement at the meeting and suggested that she could propose scores during the meeting in respect of the various risks to be assessed on the new basis, which the Committee could consider and approve as necessary. The intention would be that the Risk Register would then be revised to reflect the decisions made at the Committee for Corporation approval.

Elaine French reported that she had considered each of the key risks and scored them provisionally according to the new risk matrix for consideration by the Committee at today's meeting.

In response to a question from the Committee seeking further understanding regarding the decision to disband the Risk Management Group which reported into the Audit Committee, it was noted that the majority of FE Colleges did not have a separate RMG and that the RMG had also been questioned during the recent FEC Diagnostic Assessment. The Corporation had therefore decided that it would be appropriate to incorporate the RMG work into the Committee's Risk Management agenda. However, it was recognised that a review of the time allocation to this part of the meeting was needed to ensure that sufficient time had been

allocated to discuss, review and make recommendations at future meetings. **ACTION: Chair/ELF/LEP**

RISK MATRIX: As referred to above Paul Herridge's points raised in his e mail to Elaine French and Alan Walker prior to the meeting were noted and Elaine French responded that in respect of "impact" there were 4 categories defined and that the specific definitions would be included in the final document in respect of the timeframe for each category, so for example "very unlikely" would have a timescale of annually or biennially, whilst "very likely" would follow a much shorter timescale of say weekly or monthly, depending upon the particular risk. **ACTION: Elaine French**

The Committee queried the chosen 4 x 4 template rather than a commonly used alternative 5 x 5 template. In response Elaine French said SLT had considered both templates and thought that the 4 x 4 template would assist in Governors' understanding as this avoids the additional tier of the 5 x 5 template which could make the assessment of each risk more complicated. The Committee agreed to work with the 4 x 4 template recommended by SLT firstly and should it be found, after completing the risk rating allocations below, that there were a disproportionate number of critical/high risks with the template, then consideration could be given to testing the 5 x 5 template - adding in a 5th column. Elaine French also informed the Committee that the 4 x 4 template had been suggested by the College's auditors.

In the Risk Register and Action Plan document, as raised by Alan Walker and Paul Herridge before the meeting, Category A and Category B risks were still listed although it had been agreed to discontinue these references at the last meeting. In response, Elaine French advised that she had left them in the document for the timebeing, until the scoring exercise had been completed, as it could be useful for comparison purposes once the new scores have been applied.

Regarding the new risk ratings, it was agreed to go through each risk and discuss SLT's recommendations before reaching an agreement to be included in the final outcome, also noting that mitigations per risk would also have to be considered – refer below:

RISK REGISTER (from page 66)

Risk 1 financial sustainability: – Reference was made to the in depth discussions held with the FEC team during the diagnostics assessment visit, including risk scoring and narrative. The Committee discussed the recommended likelihood of "moderately likely" taking into account the future uncertainty and the impact as "severe" so "high risk".

HR 2 – staff morale – Reference was made to the Staff wellbeing audit considered earlier in the meeting and agreed that the likelihood should be "moderately likely", noting that limited control which the College could have in this risk area; and impact being "moderate", resulting in a "medium risk" and noting the mitigations in place to manage the risk to some extent. The Committee queried whether the metrics for assessing the staff morale risk should be efficiency/productivity. The Committee agreed the likelihood, impact and resulting risk and also recommended that SLT should review the phrasing of the risk narrative to take into account the Committee's point. **ACTION: SLT**

P1 – insufficient resources of right type to meet accommodation needs – likelihood "likely", reflecting the pressure on Student accommodation and work to be taken forward regarding the property strategy, also noting that the architects would be presenting their

recommendations at the next Corporation meeting on 30th March 2022. Furthermore, it was proposed that the impact should be "moderate" resulting in a "high risk".

MA13 – pandemic enforces significant changes to college operations – the Committee acknowledged the experienced gained by the College during the recent pandemic and the systems and procedures which had been put in place to manage the College's operations and to support Staff and Students, through this very difficult time. It was agreed that the College should be able to manage a similar pandemic as a result of this experience and agreed that the likelihood should be rated "moderately likely", with a "moderate" impact, which would result in this being a "medium risk". The Committee talked further about mitigations and it was agreed that further information should be included in the narrative for this risk to reflect the range of measures which could be applied should this risk occur.
ACTION: Elaine French

At this point the Committee queried the "responsibility" column per risk and Elaine French agreed to check consistency regarding reference to Principal/SLT etc. **ACTION: Elaine**

F2 risk of not growing (see below – revise risk to read "risk of not maintaining Student numbers) (this was classified as a contingency risk, under the previous risk classifications) - likelihood was recommended to be "unlikely" taking into account recent and current trends and demographics reflecting ongoing growth, notwithstanding that the College will be limited in future growth plans, owing to the accommodation restrictions. It was agreed that the impact should be "severe" as it's recognised that the College needs to continue to grow in terms of financial sustainability and in light of the ongoing uncertainty of future funding increases (if any). Hence, this will become a "medium risk". In order to clarify the risk, it was agreed to revise the wording to reflect the fact that this was in fact "a decline income", rather than a risk of "not growing". **ACTION: Elaine French**

Regarding the risk of not growing and noting the plans to finalise the College's Property Masterplan which needed to be finalised before taking forward any options for future growth (KPI aim of 5% growth per year) in the site to accommodate more Students, it was agreed that this aspect of the risk discussed, should be incorporated within the financial stability risk discussed earlier. **ACTION: Elaine French**

In light of the discussions held, it was resolved that the F2 risk should be revised to read "risk of not maintaining Student numbers", together with considerations for additional narrative and some rephrasing. **ACTION: Elaine French**

It was also suggested that further discussions regarding risks relating to Student numbers, including maintenance of growth in numbers, decline in Student numbers etc and how to maintain and increase numbers, should be held at a future Audit Committee meeting, particularly should there be any indications that there may be a decline in Student numbers, when the risk may need to be reviewed. **ACTION: Principal/Elaine French**

HR1 inability to fill and retain key staff roles – likelihood "moderately likely" and impact "moderate", noting the impact on the College's financial resources in seeking replacements etc resulting in a "medium risk.".

C2 inability to realise target student achievement – "low risk" (likelihood "unlikely" and impact "moderate". The Principal referred to the current outstanding ALPs score and all the mitigations in place to manage this risk.

C3 inability to address increase demand for specialist support services – likelihood "moderately likely", impact "moderate", making this a "medium risk" – which reflects the pressure on additional support Staff and the associated additional resources needed to meet the growing needs of Students in this area. The Committee discussed the details of the risk and the impact of the pandemic upon additional support, together with the likely further pressure in this area if the College's implements its proposals to increase Student numbers.

At this point the Principal provided some further context and reported that the College had seen an increase in the number of High Needs' Students and applications in this category with 52 High Needs Students on roll for this year. She also explained that there was no long the external specialist support availably to these College Students, owing to there being a 2 year waiting list/CAMHS (Child and Adolescent Mental Health Services) – 18 month waiting list. Hence the College has had to fund specialist services to support Students and noted the risk to the College arising from the increase in demand and the limits in supply.

MA1 Critical incident – likelihood "moderately likely" and impact "severe" so resulting in a "high risk". It was noted that this was not yet fully embedded – refer earlier meeting minutes – Matters Arising. In response to a question from the Committee regarding the end column entry for 20/21 and reference to a review, Elaine French confirmed that SLT had carried out the review; accordingly, it was agreed that the document should be updated to reflect this. **ACTION: Elaine French**

MA7 – failure of IT systems and infrastructure including cyber attack - likelihood "moderately likely", impact "severe" – creating a "high risk". The Committee was provided with an update on progress with the Cyber Essentials' requirements together with the insurance cover taken out to cover cyber risk.

MA12 – damage to College reputation – likelihood "moderately likely", impact "moderate" creating a "medium risk". The Committee discussed the likely areas which the College's reputation could be damaged including Student behaviour outside the College's site, impact on neighbours from various issues including Student behaviour, College initiatives to develop its site, achievement rates etc The Committee recommended that SLT review the specific wording included in respect of this risk, noting that "damage to reputation" could be interpreted as an effect or impact, rather than the risk itself and that consideration should be given to the whether to provide a more detailed breakdown of risk/sub-risks (for this and possibly other risks already discussed above) to set out financial, operational, legal, etc aspects. **ACTION: Elaine French**

The Committee also queried damage to College reputation arising from construction risk and it was suggested that the main risk from construction was assigned to health and safety risks, although this could also have other areas such as the change in cost of the programme etc Elaine French agreed to check risks relating to constructions and review and revise the wording as necessary. **ACTION: Elaine French**

HR4 – Following a discussion at SLT, it was recommended that this risk should be removed which the Committee agreed. **ACTION: Elaine French**

Taking into account the discussions held as recorded above and the recommendations made to Corporation from the Audit Committee, Elaine French agreed to revise the various documents for the next Audit Committee, having addressed all the points and suggestions raised above, following which a mitigated risk score would be generated in respect of each risk for agreement at the next Audit Committee. **ACTION: Elaine French** t

Risk Assurance Map

Taking into account the various revisions required and recorded above it was noted that the Map would be revised following the Risk Register update, taking into account the adjustments for mitigating the respective risk and this would then be brought to the next meeting for the Audit Committee to consider. **ACTION: Elaine French**

It was also resolved that since all risk matters had transferred to the Audit Committee, following the disbandment of the Risk Management Group, more time should be allocated to Risk matters in future agendas and it was resolved to increase the time allocated per meeting. **ACTION: Chair/PH/ELF/LEP**

7. Update on Internal and External Audit Recommendations

The update was noted by the Committee and Elaine French confirmed that there were 2 internal audits planned in April in respect of GDPR (as already reported under Matters Arising) together with a Finance audit on the subject of financial controls.

It was also recorded that a June Internal Audit would be carried out on the annual Learner Numbers' funding audit. Reports would then be presented to subsequent Audit Committee meeting/s, depending upon timing of the Internal Auditors issuing their reports.

8. Performance Indicators for External Auditors

The Committee reviewed the performance indicators in respect of the external auditors and endorsed the grades listed as assessed by SLT and also agreed that a grade 1 should be applied to item 13, in recognition of the excellent service provided by Mazars.

The revised schedule was recommended to Corporation for approval. **ACTION: Elaine French**

9. Policies and Other Documents

a) Risk Management Policy

Owing to time constraints, the Committee had a short discussion regarding the revised Policy and it was resolved that Committee members should provide any further suggested changes or comments/questions directly to Elaine French. The Policy would then be updated and approved. References raised relating to the risk register and matrix, were also noted as discussed earlier in the Meeting. **ACTION: Elaine French/Committee Members**

b)   Information Security Policy –As above, owing to time constraints, the Committee Members agreed to share their outstanding queries, after which the Policy would be updated and approved. **ACTION: Elaine French/Committee Members**

10. Fraud Report - Nothing to report.

11. Date of Next Meeting – Tuesday 21st June 2022 at 9.00 a.m.

It was resolved to move the next meeting time from 9.00 a.m. to 10.15 a.m. It was noted that should the internal auditors be joining this meeting, they could do so by a link, with a screen set up in the meeting room. **ACTION: Elaine French/Louise Pennington**

12. Any Other Business – None.

Chair…………………………………….Date……………………………

Louise Pennington 15/03/22