

VARNDEAN COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON MONDAY 19th NOVEMBER 2018 AT 8.15 A.M

Present: Randall Anderson, Peter Baker, Jane Farrell, Cathy McDonnell,
Richard Seager.

In Attendance: Elaine French, Philip Harland, Louise Pennington and Nicola
Wakefield

(Mazars and in attendance until the end of Item 6).

Apologies: None

Welcomes:

In the Chair: Randall Anderson

1. Apologies for Absence and Welcomes

As above.

2. Declaration of Interests

None.

3. Minutes of the Meeting held on 20th June 2018

The minutes were approved by the Committee and signed by the Chair.

4. Matters Arising

a) Action Points- progress report

The actions completed were noted and the following additional comments made:

- 1) The Committee highlighted that there were several items which were still in progress and that it was important to set and meet targets in respect of each task.
- 1) General Ledger copy of new checklist – refer AOB.
- 2) GDPR Internal Audit has been scheduled to commence with the February 2019 Audit work. In response to a question from the Committee regarding the GDPR minute on page 1 of the draft minutes, Elaine French confirmed that staff had submitted the GDPR personal data inventories and that she would be progressing this work early in the new year.
- 3) Policies (GDPR) – Elaine French explained that the various GDPR and associated policies would be presented to Governors in the New Year but that owing to other unexpected GDPR work arising from a subject access request, the latter work has had taken priority. Following a question from the Committee, Elaine French, confirmed that the GDPR internal audit work would be an advisory visit over 1 day in late February and that the auditors would not be taking into account subject access request issues. The Committee recognised that the auditors would only be reviewing

whether the College had embedded its policies and GDPR requirements rather than specifically checking the policies themselves, but noting that if the policies won't be ready for Governors approval until the New Year, they were unlikely to be embedded by the time of the audit visit. In response, Elaine French explained that the new policies will reflect what processes are already in place across the College and didn't therefore envisage any problems arising from the delay in revision to the existing Data Protection policy. Furthermore it was noted that further training would be offered to staff relating to the new GDPR requirements to ensure that there is no misunderstanding. Noting the Committee's concerns and issues raised, Elaine French confirmed that she would ensure that the policies and training etc were in place prior to the Internal Audit visit. **ACTION: Elaine French**

- 4) Catering – The Committee members were keen to establish that the College would be seeking the best value for money for on-going catering provision, when the current contract term comes to an end next year. Elaine French explained the in-house investigations which were underway included future provision from the current catering team and information (including a site visit) from an alternative caterer (one which had tendered in the past). Next year when the tender process is instigated, the College will ensure that a number of companies (3 minimum) will be invited to submit tenders and the College will take account of all the issues and concerns arising from the current arrangement including profit share, investment to facilities on site, value for money, support for catering team etc. Elaine French has also had discussions with local School Business Managers who currently use the alternative caterer and has received positive feedback about the service provision. The shortcomings of the current provider were discussed noting that a number of agreed KPIs had not been achieved. The Committee agreed that it would not be worthwhile to carry out any internal audit work in this area until approximately 1 year after the new contract had come into effect. **ACTION: Elaine French** The new contract will be for either 3 or 5 years and will include annual review dates.
- 5) Risk – refer Risk items on the agenda, below.
- 6) Learner Numbers – done. Reference was also made to the Action Plan below.

b) Rolling Action Plan

External Audit actions – none.

Internal Assurance actions – The Committee raised the fact that there has been some delay in taking forward actions, but Elaine French advised that all aspects had been taken forward, several were connected to the new MIS system with Pro Solutions and even if not completed yet, all actions were housekeeping issues.

- 1) Budget timetable has been finalised and this will be uploaded to the intranet for staff to view, once the Senior Finance Officer has completed a final check – probably by January 2019
- 2) MIS and Pro Solutions (various audit actions – 2,3 and 4) – Internal Auditors will be completing their audit work in this area in December.
- 3) Item 6 – Done.
- 4) Item 7 – Refer new assurance map in meeting papers.
- 5) Item 8 IT strategy – on-going. Currently this is being progressed by Martin Bentley, IT Manager.

- 6) Item 9 – IT Security Policy has been drafted by the IT Manager and the final version will be ready once the GDPR exercise/review of policies has been completed.
- c) Risk Management Action Plan

Noted.

5. Annual Report of the Audit Committee

The Committee reviewed the draft report which once approved by Corporation, would be signed by the Audit Committee Chair.

To avoid any confusion, it was agreed that the reference to the 3 main internal audit reports, should read full internal assurance reports and that the other audit work should be included here too. **ACTION: Louise Pennington**

It was also agreed that regarding point 11 – meeting with Internal Audit providers, as only the process had been described here, it was agreed to include a reference to outcomes – “and there were no issues arising”. **ACTION: Louise Pennington**

6. Annual Report and Financial Statements

a) Draft Financial Statements July 2018

Nicola Wakefield (Mazars), introduced the item and in response to the Matter Arising point from the last meeting, she confirmed that there was a prescribed “Casterbridge” model template and that it wouldn’t be appropriate for the College to use a shorter version of this.

The following additional points were noted:

- Layout to be reviewed to ensure the document is formatted in the final version. **ACTION: Elaine French/Mazars**
- Text highlighted in red has been included to highlight revisions to Governors.
- Page 55 – reference to finance leases – needs to be amended. The College’s finance leases have been arranged in respect of computer equipment and software. **ACTION: Elaine French**
- Members’ Report – Louise Pennington agreed to check the entries in respect of Jane Farrell and Cathy McDonnell regarding details about Governor status e.g. Parent or Governor (external). **ACTION: Louise Pennington**

b) Audit Completion Report July 2018

Nicola Wakefield drew attention to the following key points

- 1) On page 69 of document, this confirms that the auditors are satisfied with the audit work to be able to sign off the regularity and financial statements audit, subject to the points made below.
- 2) Auditors are awaiting the final ESFA funding details in respect of Varndean College and will also have to check any post balance sheet items before final sign off.
- 3) Pages 71 and 72 – key risks given here and areas which the auditors are required to audit, including income recognition, funding streams and any claw backs by the funding body. Mazars’ actuaries also check the College’s assumptions and judgements in respect of the valuation of the pension scheme liabilities.

- 4) Page 73 – this section summarises movement on pension scheme liability and movement during year and how this affects the accounts year on year. Staff cost ratio was also flagged up and comparisons with the sector and the impact of funding limitations highlighted.
- 5) The Committee queried the pension liability calculation and it was noted that the forecast for next year would require careful consideration and Elaine French confirmed that this issue would be investigated in the New Year, prior to the preparation of financial forecast. At this point Elaine French emphasised the importance of the ESFA's focus on a College's EBITDA rather than the impact of the pension deficit.
- 6) Page 75 - no significant control recommendation
- 7) Page 76 – Mazars were able to provide assurance to the College that there were no adjustments necessary arising from the audit process and commended the College and its Finance Department who provided comprehensive and up to date records for the audit visit.
- 8) Once the financial statements have been signed off by Corporation in December, the auditors will issue their two audit opinions in respect of the financial statements and the regularity audit.

c) Regularity Audit Self-Assessment Questionnaire July 2018

In response to a question from the Governors regarding the expenses entry on page 86 in respect of Governors/SLT expenses, it was noted that this related to costs such as travel to a governance related event for Governors and various other costs in respect of the Principal's work on behalf of the College. Elaine French advised that she could provide a breakdown if required.

In response to a question from the Committee, Philip Harland reported that an ex-gratia payment was made to an ex-member of staff employed by the College.

Page 89 Value for money – the Committee raised concerns that there may not be sufficient focus by Governors in this area and Elaine French referred to the College's financial procedures and budget setting process etc. It was suggested that more information regarding value for money should be presented to Governors, in order to demonstrate to the regulators that the Governing Body challenges sufficiently in this area. **ACTION: Elaine French**

d) Letters of Representation for Financial Statements and Regularity Audit

The Committee was reminded that these were the basis of the regularity audit and the financial statements audit and the standard wording was noted.

At this point Nicola Wakefield left the meeting, but responded to a question from the Committee as to whether Mazars had anything to raise about their audit work, in the absence of Management, stating that there were no issues arising.

7. Internal Assurance: Performance Review Indicators for Internal Assurance Auditors

The Committee discussed the timing of presenting this paper to the Committee and on reflection it was resolved that in future the performance indicators for internal audit would be brought to the Summer meetings and noting that the External Auditors' PIs would continue to be brought to the Spring Meetings. **ACTION: Elaine French/Louise Pennington**

The Committee queried the need for including question 7, but on reflection it was agreed to retain this as there was some level of liaison between departments of the same auditor, dealing with internal audit and external audit and the question needs to be asked in order to gain some assurance that proper and effective controls were in place.

In response to a question from the Committee regarding the grade given for question 6, Elaine French explained that there had been some timing issues over the year with Mazars Internal Audit department with delays in audit visits etc. It was resolved that Elaine French should include some detail regarding this about the grade reflecting the timeliness of work rather than the quality of reporting and also divide the question into 2 sub-items – in order to separate the two audit points (quality of reporting and timeliness).

The performance indicators for the Internal Auditors were considered and recommended to Corporation for approval. **ACTION: Elaine French**

8. Risk Management

a) Draft Minutes from Risk Management Group Meeting 29th October 2018

The contents of the draft minutes were noted by the Committee.

Under 6 (review of risks), referring to the capital project, Philip Harland advised that the Section 106 was likely to be in the region of £19,000 now and not the initial indication of £100,000.

The Committee queried whether GDPR as an emerging risk had been discussed bearing in mind for example the number of subject access requests which may be submitted or if a data breach occurs and also noting the recent Morrisons' Supermarket GDPR case where staff are suing the Supermarket for loss of information. The Committee agreed that enquires should be made regarding the potential to insure against this risk via a cyber-liability policy which would include GDPR risks. Elaine French advised that the College's internal controls were very good, particularly with regard to sensitive data and explained the unusual situation regarding the subject access request that the College had to deal with in the Summer which did not relate to personal data. Bearing in mind the College has an internal audit review of GDPR booked for February 2019, it was resolved that the Risk Group should keep this potential risk under review and consider this as an emerging risk at the next meeting in May 2019 **ACTION: Elaine French.**

b) Annual Report

The contents were noted and recommended for approval to Corporation.

c) Assurance Map Update

The Committee reviewed the new format and agreed that this provided improved clarity. Subject to the points made below the revised document was recommended to Corporation:

ACTION: Elaine French

The following additional comments were made:

- Add definition in respect of all acronyms e.g. SP (Strategic Plan)
- At the next Risk Group meeting, the Map will be reviewed in more detail **ACTION: Risk Group May Meeting 2019.**
- The Committee queried whether the use of “red” should be replaced to avoid issues for anyone who is colour blind and it was resolved to retain the colour but add hatched lines. **ACTION: Elaine French**
- The Committee agreed that should the critical incident plan not be embedded, issues may arise and it was resolved that the Risk Group should consider whether to re-name Risk MA1 at the next meeting. **ACTION: Elaine French**

d) Gross to Net Risk Update

Elaine French introduced the paper and reminded Governors that the information was meant to reflect the level of assurance per risk and the impact of mitigating action on the residual risk score (net risk). The Committee discussed the information and current format and agreed that the Risk Group should review this at its next meeting in order to ensure that the document effectively flags up any risks which require further attention and to ensure the document serves its purpose i.e. highlights risks requiring attention or needing further assurance e.g. via internal audit visits. **ACTION: Elaine French**

e) Risk Register 2018-2019

The contents of the Risk Register were noted and it was agreed that the Risk Management Group should monitor the construction risks in respect of the new Capital build likely to commence in January 2019, with a separate risk register being generated in respect of this project. **ACTION: Elaine French**

The Risk Register was recommended for approval by the Corporation. **ACTION: Elaine French**

9. Policies

a) Risk Management Policy

The Committee endorsed the Policy as unchanged (subject to housekeeping point below) and recommended it to Corporation for approval. The Committee members were reminded that changes to any policy or other document would be tracked by SLT for ease of reference.

There is one small change – bottom last page of policy – added related policies and documents.

10. Date of Next Meeting

Monday 4th March 2018

11. Any Other Business

General Ledger – copy new checklist (from Matters Arising) – The checklist was noted by the Committee, noting that the Finance Team were working from this and that it was a working document and likely to be updated regularly. It was noted that the checklist was shared with staff for reference purposes.

At this point the Committee queried whether a statement of account in respect of the Russell Martin Academy had been done, to demonstrate the impact or not, on the College's finances. Elaine French agreed to prepare this and circulate to Committee members.

ACTION: Elaine French

There was no other business.

Chair.....

Date.....

Louise Pennington 19/11/18