

VARNDEAN COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON

THURSDAY 15TH JUNE 2023 at 10.15 am, held in the Principal's Office (Part I)

At the start of the meeting the Chair reminded the Committee that the Committee should be given an opportunity to meet with the auditors in the absence of College Management in order to give the auditors an opportunity to raise any issues or questions regarding College Management and the audit work and also for the Committee to ask questions of the auditors.

The Committee agreed to include this as a first agenda item at each meeting in respect of the Auditors at each meeting – external and or internal auditors. **ACTION: Louise Pennington**

Present - Paul Herridge, John O'Sullivan, Richard Seager, Alan Walker (Chair), Brendan Ward

In Attendance - Elaine French (Vice-Principal Resources), Donna-Marie Janson (Principal), James Gordon (Deputy Principal), Louise Pennington (Clerk)

Scott McCready (Wylie Bisset, Internal Auditor) via G. Meets

1. Apologies and Welcomes:

- a) **Apologies:** None.
- b) **Welcomes:** None.

Apologies for absence - as above

2. Declaration of interests – none

Scott McCready declared his interest in item 5c Reappointment and Remuneration of Internal Auditors, which was noted by the Committee.

3. Minutes of the meeting on 10th March 2023 Part I and Part II (Confidential)

The minutes (Parts I and II (Confidential)) were approved by the Committee and the Chair authorised to sign them. **ACTION: Louise Pennington**

It was also recorded that the November 2022 had been revised in line with the last meeting Minutes (March 2023), which the Chair would now sign as final.

4. Matters arising

- a) **Action Points** – reference was made to the Actions highlighted in the draft Minutes.

In response to a request from the Committee, it was agreed that an actions' schedule should be included in future Meeting papers. **ACTION: Louise Pennington**

The following action updates were reviewed and recorded below:

- Elaine French to ask Mazars (External Auditors) for any information regarding the national issues/guidance relating to Fraud: Elaine French advised that they were unable to provide any information other than general circulars provided to all clients but she did explain that the majority of fraud in the sector, related to invoice fraud and that there was nothing else of which the sector was aware at present. She also advised that she would discuss this further with Mazars at the forthcoming external audit planning meeting in the next few weeks. **ACTION: Elaine French.**
- The Committee queried whether the document from the internal auditors relating to sample sizes and guidelines etc, had been shared with the Committee and Elaine French confirmed that it had been, but was happy to re-circulate this if required. **ACTION: Elaine French.** On request from the Committee, it was also suggested that a log of documents dispatched to the Committee could be set up. **ACTION: Louise Pennington**
- External Auditors – rotation of Audit Partner – refer Item 6 below.
- Other items raised are included in the Committee meeting papers.

b) Rolling Action Plan- Update on Internal and External Audit Recommendations

Elaine French summarised the latest updated rolling action plan and the following points were recorded including questions from the Committee:

- In response to an observation raised by the Committee that the timeline for action to be completed had been delayed in a number of cases, Elaine French reported that there had been some significant changes in staffing, with resignations of some key staff members. Hence it hadn't been possible to complete some of the actions, until replacement staff had been recruited, including the appointment of a new Adult Education Director (now appointed) and IT Manager (plus other IT Staff); new IT Manager (from an educational background) due to commence employment on 15th August, at which point the outstanding IT related actions, will be taken forward.
- Following on from the above minute regarding resignations of key Staff members, the Committee queried what mitigation was put in place and in response, it was recorded that in the instances of senior managers leaving the College, the Lead SLT Member would oversee any outstanding action and review this based on urgency. However, the Committee was informed that all the actions listed in the rolling action plan were in progress and the necessary action had been taken and were just waiting to be reviewed and signed off by the successor manager. SLT reviewed each post made vacant and it had been agreed that there was no need to recruit temporary staff. It was also recorded that the new MIS Director (to whom the IT Manager reports) had been in post since October 2022 and also noted that following the IT Manager's departure, Elaine French had in effect been line managing the IT Team. Elaine French also confirmed that none of the rolling actions points had been classified as high risk.
- Risk MA7 – in relation to the IT Recovery Plan: following a question from the Committee, it was confirmed that cyber security would remain high risk, and that the newly appointed Head of IT, would as one of the first tasks when joining the College, sign off the IT Recovery Plan, which had been reviewed, updated and revised. Furthermore, Elaine French confirmed that all systems were up to date, Teams have been trained and support was in place from both the insurers and JISC.
- The Committee followed up on the decision at the November meeting to add the completion date, rather than the review date in the rolling action plan and Elaine French confirmed that the completion date was inserted under the Responsibility column, with the review date by the auditors, in the subsequent column. In response to a suggestion by the Committee, Elaine

French agreed to add the date history of review, action etc, so that the progress could be tracked easily. **ACTION: Elaine French**

- The Committee queried whether there was a complete list of policies which are monitored and recorded and it was confirmed that a master list was maintained by SLT and reviewed regularly. Regarding any policies due to be reviewed/approved by Corporation, the list was checked prior to each Committee meeting/Corporation to ensure that review dates were maintained. The S & G Committee, were also presented annually with the master policies list (policies which Corporation is required to sign off).
- IoS Penetration tests – the annual programme is being implemented and monitored by IT – it was suggested that the IT Manager should be added as the individual responsible for this action. **ACTION: Elaine French**

5. Internal Auditors:

i. Funding Review, ii. Follow up Review

Scott McCready (Internal Auditor) presented the documents to the Committee and highlighted the following, followed by questions:

i) Funding Review

- annual audit on funding review, with strong level of assurance provided by the audit work.
- The work carried out as set out in the Report was summarised, noting that the College's record, based on the sample of 30 records (based on ESFA recommended sample size), were accurate.
- The auditors have a number of other FE clients with which to compare.
- Conclusions were given on page 9, confirming strong assurance and 1 recommendation to carry forward.
- Page 14 recommended implementing new procedures to be completed by the end of the Autumn Term, which as noted by Management and process underway.
- The auditor confirmed that the College received all the funding income due for the year and confirmed that the College's financial procedures were working effectively.
- The Committee questioned Student Learner agreements and it was noted that the Student is required to sign the document in person during enrolment (electronic signature), which provides evidence that each Student is genuine and at the same time provides their identity evidence.
- Scott McCready confirmed that Wylie Bisset carry out internal audit work for between 30 and 40 Colleges, so are able to produce benchmarking information from the various audits.
- The Committee queried the timeline for the internal audit work including the management response time to auditors' requests for Management information. It was noted that the auditors have a 10 week period for responses to be received, but that during this time, the auditors have regular contact with Elaine French and her team. The Committee wondered whether it would be appropriate to request information from Management "asap" or a shorter specific deadline. Elaine French advised that the time was required to include information to be prepared in a required format and for meetings to be held with College Managers and Staff providing the necessary information, together with time to have discussions and meetings with the auditors. In conclusion, it was resolved that Elaine French and Scott McCready would review the response times and shorten this, where deemed appropriate and include this in the audit report.

ii) Follow Up

- Strong level of assurance has been provided with 9 recommendations.
- The progress with the various recommendations, were noted, together with the comments below.

- GDPR assessment – will be completed in the Summer term (including impact assessments).
- GDPR – training – partially completed and remainder to be completed in the Summer term.
- Disaster Recovery Plan – as recorded above, this will be signed off once the new IT Manager commences appointment in August.
- In response to a question from the Committee regarding GDPR review and assessment, the Committee was reminded of the initial work carried out in 2018 in light of the new legislation, but noted that there had been no further review until this year; the current assessment will ensure that the College's information is up to date and then this will be repeatedly audited every 3-5 years.
- Of the 9 recommendations in the report, the Committee noted that 5 had not yet been implemented, with one having been superceded over time. The Committee queried whether auditors had an expectation regarding targets for completion and whether the College's implantation record was reasonable, compared to their other clients in the sector. Scott McCready reported that audit actions weren't benchmarked owing to the fact that all audit recommendations varied between Colleges. However, he advised that other clients did have follow up actions with outstanding recommendations and not all were completed immediately, owing to resources, timing etc. Elaine French also added that it was worth noting that even if recommendations had not been completed, they were usually in progress and any high risk recommendations would be processed promptly. The Committee noted the various responses and also suggested that sufficient details should be included in the report so that they were made aware of any reasons for delayed implementation such as staffing and other resource issues. **ACTION: Elaine French**

a. **Assurance Strategy and Plan 2023 24**

Scott McCready presented the proposals for 2023/2024 which were considered by the Committee. The following points were recorded:

- Contract option regarding extending for 2 years noted.
- The Plan attached is for the next academic year, with a new Plan for 2024/2025 due to be issued next year.
- Page 5 – review for the year with scope and objectives, including the annual funding review, plus risk management and follow up.
- Page 7 – timing – October audit with report to March 2024 meeting in respect of funding and follow up and remaining audit work will be reported to the June 2024 Audit Committee.
- Page 9 – 5 year summary, with early suggestions for 2024/2025 audit work being free school meals, funding review and follow up.
- Pages 5,6 and 7 set out the proposed areas for agreement by Audit Committee at today's meeting for 2023/2024 audit work.
- The Committee referred to the audit needs assessment which was approved in November 2021 and queried whether the audit needs had changed and how this was established. In response Scott McCready explained that this was included in the annual report, which was brought back to the Committee, hence it was picked up annually.
- The Committee checked whether there was anything missing which ought to be audited and the initial plan of 3 years identified needs, plus 2 additional years' option (as referred to above), and that this was reviewed annually to ensure amendments could be made to reflect need.
- The auditor agreed that the plan had been reviewed and updated, based on the College's assessed current requirements. An example of this was reported, namely the payroll which is always in the plan, was due to be audited next year, but following discussions with the auditors, it has been brought forward by 1 year which will take into account the cost of living crisis and implications etc.
- Key risk area – financial stability, was highlighted and whether the audit days (12 days in plan) had had to be increased to take account of additional pressures in the sector, including the payroll audit work brought forward. In response it was noted that the days year on year, varied depending on the work required. It was queried whether in light of the financial sustainability high risk, should the budgetary and financial reporting audit be brought forward

to demonstrate to Corporation that this is being closely monitored in an appropriate timeframe, which would then increase the audit days for this year. In response Elaine French confirmed that SLT had recommended that the payroll be brought forward owing to the Fraud risk (as reported to the Committee), and bearing in mind that this forms a significant part of the overall College's expenses (around 78%) and therefore this should take priority. Although it would be possible to add the budgetary and financial reporting audit to next year's plan, the College's finance Department would be under intense pressure to manage more than one audit of this nature, on top of their existing workload, hence it was proposed that it should be done next year. There was also the cost element to take into account in light of tight financial pressures on next year's budget. At the same time, the Committee was reminded that the Corporation's Finance Committee was also responsible for monitoring the College's financials, acting as another source of assurance for the Audit Committee and Corporation. It was agreed to share this reference with the Finance Committee Chair so that they are aware of the Audit Committee's concern and assurance expectation from Finance Committee. This aspect could also be highlighted at Corporation in July **ACTION: Louise Pennington (cc minutes to be shared with Finance Committee Chair)/Alan Walker – Audit Chair**. Finally it was recognised that should it be thought necessary for this audit work not to be delayed by one year having assessed the risk, if it was thought essential to do the work, resources should be found to action this. However, in this case it was noted that this audit work would be a priority for the following year's audit work. Regarding financial sustainability risk, the Committee was reminded that in addition to budgetary control and financial reporting, other aspect of this risk included student numbers, retention and funding.

- Referring to the fraud issue reported, it was confirmed that it was a very small percentage of the College's budget, notwithstanding the importance of carrying out the payroll internal audit next year.

Taking into account the points made above, the Committee recommended the Internal Audit Reports and Assurance Strategy and Plan for approval to Corporation. **ACTION: Elaine French/Scott McCready**

At this point Scott McCready was thanked for his reports and he left the meeting.

b. **Reappointment and Remuneration**

Referring to comments already recorded above regarding the current contract and 2 year extension, the Committee discussed this and recorded the following:

- Extension of contract for 2 further years (noting 3 years to date) on the same contract terms and rates of pay.
- SLT confirmed that Wylie Bisset had performed well and the College was very happy with their work and working arrangements, despite not being located nearby. The electronic way of communicating and sharing documentation via the auditors' secure portal, has worked very well and has been established successfully sometime for their sizeable client base.
- Elaine French has requested that they come on site next year for 1 of the audits.
- Regarding the auditors' report and suggestion of other audit options therein, Elaine French confirmed that these had been discussed at SLT and that there were no priorities which would need to be taken forward, based on their suggestions, at this point, but that they would be kept under review.
- In response to a question regarding the financial documents and all Governors' understanding and experience of finances, it was recognised that the Chair of Finance Committee was an experienced and qualified financial expert and accountant and provided excellent challenge and explanation of the Finance Committee's work and documentation, at Corporation. However, it was also noted that Elaine French was happy to meet with any Governor/s who wanted additional 1 to 1 time with her to go through any financial areas or answer questions –

and that she had done this from time to time in the past, in addition to the usual Governor induction 1 to 1 meetings with her. The annual Governor self-assessment questionnaires gives Governors a chance to identify any training needs.

The Committee recommended to Corporation the reappointment (extension of contract for 2 years) of Wylie Bisset and the association remuneration at **£430 per day**

6. a) External Auditors' Reappointment and Remuneration

Papers: Audit Strategy Memorandum

Mazars – Strategy Document was issued yesterday and circulated to Committee members via e mail. In response to a question raised earlier regarding changing the Audit Partner, Elaine French confirmed that there will be a new Audit Partner with effect from the next academic year.

Referring to the latest version of the Joint Audit Code of Practice (included within the reference documents in the meeting papers), it was noted that the financial regulations and also the relevant standing orders/terms of reference where required, would be updated to reflect the new requirements/changes listed – to be discussed at Finance Committee. **ACTION: Elaine French**

The Committee noted the proposed fee breakdown including the two additional audit items and associated fees, totalling £22K in respect of the Financial Statements Audit and the Regularity audit. The additional new requirements applicable to SFCs since the ONS reclassification from the private to the public sector was also noted.

The detailed external audit work will be discussed with the auditors later this term, after which Elaine French will update the Committee members. **ACTION: Elaine French**

It was noted that next year a tender process would be initiated for appointing External Auditors – noting also the requirement to re-tender every 5 years. Elaine French did remind the Members that last year she carried out an internal tender review and Mazars were the cheapest provider.

The Committee queried whether the External Auditors could place reliance on the Internal Audit work, but it was noted that the External Auditors were required to seek assurance from their own audit work. It was noted that the cost breakdown for the external audit work was detailed on page 19 of the ASM.

RESOLUTION: Subject to the points recorded above the Committee recommended the Plan to Corporation for approval and also recommended the reappointment of Mazars as the External Auditors for another year, at the fees quoted above. **ACTION: Elaine French**

7. Risk Management

Risk Register/Risk Management Action Plan

The contents of the Risk Register and Risk Management Action Plan were considered and it was confirmed that there were no major changes, with updates on actions within the Plan.

It was noted that the reference to Covid 19 risk had been updated to a Pandemic risk to cover any future pandemic risk.

In response to a question from the Committee regarding new projects, Elaine French confirmed that there was already one risk in respect of constructions, but that there would be a separate risk register in respect of new projects, which would feed into the main Risk Register.

The Committee raised a question relating to risk MA7 (failure of IT systems/Cyber attacks) and links with the disaster recovery plan and it was confirmed that SLT has recommended that this risk should remain as a high level risk. It was noted that once the new Head of IT was in post in August, the

updated disaster recovery plan would be signed off. At this point the Committee queried how SLT measured and managed the risk, particularly when the IT Manager's post was vacant. James Gordon advised that the College's IT systems generated reports which detailed the number of system cyber attacks/threats have been made and also confirmed that a new systems engineer had been appointed, with responsibility for this cyber security. It was acknowledged that it was not unusual in the FE sector to have significant attempts of cyber attack and that the College's systems were continually monitored. James Gordon also reported that he and the MIS Manager had been in discussions with 2 IT Companies with cyber security expertise and they have been invited to carry out an audit/review on the College's infrastructure, with the report outcome scheduled to be ready for when the new IT Manager commences his employment at Varndean College in August, and he will be tasked with taking forward any recommendations. In response to a request from the Committee, James Gordon confirmed that when the audit/review report has been received, he will provide a summary to the Audit Committee. **ACTION: James Gordon**

The Committee also questioned what recovery plan/s were in place should the College experience a significant cyber attack, noting that this had not yet been formulated? James Gordon explained that as part of the S7 group of Colleges, the S7 does have a recovery plan (based on one of the S7 College's having experienced a cyber attack) and from this an action plan was prepared. JISC also provides support and advice for Colleges regarding cyber security and cyber attacks and the College has maintained its membership of this organisation this year, in light of the loss of some of its IT Team. Continuing with membership next year, once the IT Team vacancies have been filled, will be reviewed as the fees have become expensive. There are also free resources on the national cyber security centre which the College can access for guidance and information.

Governors were also informed that the College had cyber insurance cover, which includes support provided by cyber experts who will come on site and support the College in its recovery from an attack.

In summary the Committee recommended to Corporation, the Risk Register and Action Plan and accepted the mitigating action and control measures in place, but also recognised the significant risk which remains until the new IT Manager (and other members of the IT Team) is in post. **ACTION: Elaine French**

a. **Corporation Assurance Framework Map**

The contents of the Map were reviewed by the Committee and this was recommended to Corporation for approval subject to references to the Finance Committee being incorporated into the Map, which will provide the Audit Committee with additional assurance regarding financial sustainability responsibilities with rest with that Committee's remit. **ACTION: Elaine French**

8. Preparation of Financial Statements Audit 2023

Reference was made to the earlier discussion on this item in which Elaine French updated the Committee.

9. Policies - Executive Summary

. Risk Management Policy

Elaine French presented the item to the Committee, noting that it was a requirement to review the policy wording annually but that in this instance, there were no updates or changes proposed.

In response to a question from the Committee, referring to page 5 and relating to the roles of the Committee, one of which was the "effectiveness of internal control and the production of an annual

report, it was noted that the Committee and audit work contribution to this process. Elaine French agreed to revise the wording here to clarify the work carried out. **ACTION: Elaine French**

The Committee raised the issue of risk appetite referred to in the Policy wording and whether this was set out elsewhere, and it was noted that this was regularly discussed during risk discussions at both SLT and Governors' meetings. However, it was confirmed that risk appetite wasn't specifically documented elsewhere by the College, other than referenced in the Policy. Elaine French reported that the matter was also discussed with the auditors and with other Colleges in the sector as a general topic of discussion.

In conclusion it was suggested that the Principal should raise the matter of risk appetite with her peer group at the next Principals' meeting and report back. It was also noted that Risk was included in the internal audit work next year, so could be included in this exercise – Spring Term 2024. **ACTION: Donna-Marie Janson/Elaine French**

The Policy was recommended as unchanged, to Corporation for approval. **ACTION: Elaine French**

a. Data Retention Policy

The minor changes in wording were noted and recommended to Corporation for approval. **ACTION: Elaine French**

10. Fraud Report – owing to the confidential nature of the business, it was resolved to transfer the record to Part II minute - refer separate confidential minutes.

11. a) Meeting Assessment and Annual Self-Assessment of Committee Performance

The Committee considered the various questions which were considered annually by the Committee. It was resolved that Members should submit any observations or comments directly to the Clerk, after the meeting. **ACTION: Audit Committee**

Regarding the new question relating to the Committee members training needs (in line with the requirements set out in the Audit Code of Practice), the Committee recognised their existing skill sets and experience, together with the existing training offer for Governors – AoC, ETF and SFCA webinars, together with the Audit Chairs' network meetings, which Alan Walker attended.

Review of Committee Terms of Reference – the proposed revision to the Audit Committee terms of reference was discussed and recommended to Corporation for approval. **ACTION: Louise Pennington**

Although not yet agreed, it was reported that at the last Search and Governance Committee meeting, held last week, there was a recommendation to add another member to the Audit Committee, subject to her agreement and approval at the July 2023 Corporation meeting. The Governor concerned, had significant experience of audit (in schools) as Chair of a London School Audit Committee.

12. Date of next meeting – proposed date to be agreed - 23/11/23

13. Any Other Business

New Reference documents for external audit – for noting/reference

Post 16 Joint Audit Code of Practice

i. Post 16 Audit Code of Practice for FE Colleges 2022/2023

College Accounts Direction

The Committee was reminded as per the note minuted earlier in the meeting that any changes required from the above documentation, would be considered at the Finance Committee and the financial regulations would be updated accordingly.

At this point the proposal at Search and Governance Committee that the Chair of Audit Committee and the Chair of the Accommodation Working Group, subject to their agreement, should swap roles with effect from the next academic year, was noted.

There was no other business

Chair.....Date.....

Louise Pennington 15/06/23