

. **VARNDEAN COLLEGE**

**MINUTES OF THE AUDIT COMMITTEE MEETING**

**HELD ON MONDAY 22<sup>ND</sup> JUNE 2021 AT 9.00 A.M, virtual Meeting via G. Meets**

Present: Paul Herridge, Richard Seager, Alan Walker

In Attendance: Elaine French (Vice-Principal), Donna-Marie Janson (Principal), Louise Pennington, Graham Gillespie (Internal Auditor Wylie and Bisset) – until item 5 b).

Apologies: Brendan Ward

Welcomes: None

In the Chair: Alan Walker

**1. Apologies for Absence and Welcomes**

As above.

The Committee was informed that Pete Baker had submitted his resignation and the Committee recorded their thanks for his long service to the College.

**2. Declaration of Interests**

None.

**3. Minutes of the Meeting held on 22<sup>nd</sup> March 2021**

The minutes – main and confidential, were approved by the Committee and the Chair authorised to sign them. **ACTION: Louise Pennington**

**4. Matters Arising**

**a) Action Points- progress report**

The actions completed were noted and the outstanding actions were reviewed and updated. It was noted that a number of the actions eg GDPR, were awaiting progression once the new Internal Auditors had been appointed and it was agreed that these actions would be addressed in the Internal Audit agenda item below. The following points were recorded:

- Information security policy – this item was included on the agenda with the intention that the document would follow later but before the meeting date. However, Elaine French explained that the policy wording was still in draft form with more work to be done by IT Department, until it was ready for review by the Committee. She advised that this should be ready for the Autumn Term 2021 Committee. **ACTION: Elaine French**
- Critical Incident Report – Elaine French reminded the Committee that the intention had been to devise a scenario for SLT to test, but as the pandemic scenario was still underway, any table top scenario testing will have to wait post-pandemic, the latter of which was acknowledged as an actual critical incident. However, she advised that the JISC (Joint Information Systems Committee) had offered the College a table top information security critical incident scenario (annual activity), which the College

would find really useful and arrangements will be made for SLT to participate in this during the Autumn Term.

Notwithstanding the explanation given above, the Audit Committee expressed concern that this action had been deferred since 2020 (along with various other actions), so assurance regarding the action and end point timeline, was requested and Elaine French agreed to keep the Committee informed regarding the proposed scenario detailed above. It was also confirmed that there was a Critical Incident Plan in place which had been approved and wasn't due to be reviewed yet. **ACTION:**

**Elaine French** The Principal had a meeting yesterday with the Counter Terrorism Police (Protect department), who reviewed the College's estates and discussed potential critical incidents and scenarios with reference to the College's site; initiative taken forward since the Crawley College incident. A report will be presented to Governors via the next RMG meeting. **ACTION: Donna-Marie Janson/RMG**

Following a suggestion from the Committee, it was agreed that the Critical Incident Report should be updated to reflect the above progress to ensure that it was kept up to date – it was agreed to add the scenarios reported above and that the detail would be discussed with RMG to see whether members of the Group would want to be involved in this; Paul Herridge, Chair of RMG confirmed that he'd like to be invited to participate in the scenario testing with SLT and Heads of Schools. **ACTION:**

**Donna-Marie Janson/Paul Herridge.**

Pandemic risk MA13 – the Principal updated Governors and confirmed that the majority of College staff had now had at least 1 vaccination which provides some mitigation for the College. However, the large spike in Delta Covid cases amongst 15-19 year olds in Brighton and Hove, was reported, which is currently the highest in South East England. 9% of the Student population (A1 Students) at the College are currently isolating (excluding second years who are no longer on site), representing about 100 Students who were either isolating (owing to track and trace) or having tested positive. Brighton and Hove Council have requested that both BHASVIC and Varndean College, should cancel their onsite transition events for years 10 and 11 and as a result these events will be held on line. It was noted that the latter decision, although necessary, was disappointing to the Students, who had not yet been able to visit Varndean College (Open Evenings were on line along with the transition events). It was agreed that the actions' schedule should be brought up to date for the next meeting to reflect all the actions taken forward/completed. **ACTION: Louise**

**Pennington**

## **b) Rolling Action Plan**

The contents of the Plan were noted by the Committee and that all actions had been completed except for item 2 IT Security Policy – refer above.

The Committee queried whether the outstanding GDPR audit work had been included in the Internal Assurance plan prepared by the new auditors and it was recorded that this aspect had been included in the appendix (page 10 of plan) of the audit plan and scheduled for year 2 of the internal audit work and that it was not part of the IT systems audit work. The Committee members were concerned regarding the delay in taking forward the GDPR action and it was resolved to discuss the matter further under item 5b) below.

## **5. New Internal Auditors:**

It was agreed that item b) would be taken before item a).

## Item b) Assurance Strategy and Plan

Graham Gillespie, Wylie & Bisset was welcomed to the meeting and presented the Assurance Strategy and Plan for the period to 2022/2023. He explained the process, referencing page 5 of the document, which was followed to prepare the Strategy and Plan for the College, which included a review of the College's risk register (and sector wide risks), previous Internal Audit Reports and associated coverage, together with planning meetings with the Principal, Deputy Principal and Vice Principal (referred page 5 of the document).

The following additional points were noted:

- A review of the plan for each year, will be carried out annually and adjustments made as requested by the College.
- Term of appointment – April 2021 – to August 2023.
- Terms of reference incorporated within the attached Letter of Engagement (dated May 2021).
- Page 6 of the document – audit team and highlighting the specific work carried out by the IT auditor.
- Page 7 – plan summary for Year 1 2020/2021, based on 2 audits – 1) IT Systems (IT security, systems, appropriate controls to ensure the network is secure, back up testing etc) and 2) Funding review (review of ILR data and compliance with funding agreement) to ensure the College's processes etc are in line with the ESFA funding agreement requirements. Although the timetable in the document refers to 2 visits taking place this week, in fact having liaised regarding the timing with College Staff, it's been decided to continue with the funding review audit this week and defer the IT systems' audit from July 2021 to the Autumn Term and the final Plan will be revised to reflect this.
- Annual Internal Audit reporting requirements – in the Summer Term the plan for the following academic year will be presented to the Audit Committee for agreement/recommendation to Corporation. Once the audit work for the year has been undertaken, an annual report will be prepared for the Governing Body, providing governors with assurance and an annual opinion.
- Year 2 (ie 2021/2022, with the first year, relating to audit work carried out in the remainder of the current academic year 2020/2021) – proposed work will be financial controls, staff wellbeing, funding review and GDPR review, the latter of which will take place as early as possible in the Autumn term (refer earlier comments and noting the requirements of the Audit Committee to complete this as soon as possible owing to it being delay for some time) – refer page 25 of the papers. The general aim will be to complete 2 internal audit reviews into each term for next year, taking into account the impact on staff time etc
- Year 3 – 2022/2023 – proposed work: funding audit and corporate governance.
- The format of reports was noted including the provision of assurance levels and risk, together with KPIs and their achievement being reported post audit work in the Internal Auditors' annual report.
- Once the Committee has confirmed any changes required, together with those noted above, the final version will be issued by Wylie and Bisset, which will be the version presented to Corporation for approval.
- In response to a question from the Committee regarding funding body requirements, it was confirmed that from an internal audit perspective, there was no obligation to report to the funding body regarding the funding audit work included in the plan and

that the work would be carried out in order to provide assurance of compliance with the funding agreement, to Governors.

- The Committee sought clarification regarding the “number of days” allocated to audit work and Graham Gillespie confirmed that this equated to 1 member of Staff working for 3 days etc.
- The Committee questioned the process involved in carrying out the audit needs assessment as referred to on page 25 of the papers and Graham Gillespie confirmed that this was based on the College’s risks and was not limited in any way by budget, to ensure that all key systems are prioritised. However, referring to pay roll, which forms in excess of 70% of income, it was noted that this was in fact seen as low risk and was incorporated into the financial controls (including fixed assets, cash, procurement, banking and pay roll) audit work. For each aspect of the audit work, Wylie and Bisset has established detailed terms of reference.
- Following a question from the Committee, Graham Gillespie confirmed that as there were no issues of major concern arising from the College’s Risk Register, there were no major risks reflected in the audit plan.
- Graham Gillespie confirmed that the first audit “visit” would be carried out remotely and that the client portal would be utilised to receive reports/records and evidence from the College.
- Page 21 audit indicators, bullet point 4 – which stated that the College response to draft reports/recommendations from the internal auditor, should be within 15 days and on request from the Committee, it was agreed with SLT, that this could be changed to 10 working days.

The Committee approved the document, subject to the changes requested above and noting that the final Report would be issued, ready for approval by Corporation. **ACTION: Graham Gillespie/Elaine French**

Graham Gillespie was thanked for his presentation and left the meeting.

#### **Item a) Setting Performance Indicators**

This item was dealt with by the Committee after Graham Gillespie had left the meeting.

The Committee discussed the new internal audit firm and also it’s team as set out in the proposal above and noted their experience within the sector, including their work for other local S7 Colleges, who had recommended them. It was also noted that the IT systems audit would be audited by a specialist IT auditor.

The Committee was reminded that Colleges weren’t required to have internal auditors, but it was thought to be good practice to appoint them in order to provide the Governing Body with appropriate levels of assurance regarding the various aspects of the College’s business and day to day operations, particularly so with regard to the funding audit element. The Audit Committee are also expected to provide an opinion on the College’s internal controls and risk management which the Committee agreed was only possible with internal audit provisions in place.

The Committee considered the established Performance Indicators based upon previous recommendations and the scores included were endorsed by the Committee, based on Elaine French’s suggestions.

The performance indicators were recommended to Corporation for approval. **ACTION: Elaine French**

### **6.a. External Auditors' Reappointment and Remuneration**

It was recorded that the External Audit Planning letter/report had only been issued by the Auditors yesterday afternoon and had been circulated via e mail to Committee members this morning. It was noted, that Members would need time to read and assess the document, which needs to be recommended by the Committee to Corporation for approval – refer below.

Elaine French reported that the College's existing team of External Auditors were highly experienced and had provided the College with excellent advice and good service over their contract term.

The increase in the audit fee for the next academic year was queried by the Committee and Elaine French reported that there were changes in this year's (2020/2021) Audit Code of Practice which was only issued in March 2021 which would have an impact on the External Audit work (and also set out in the updated funding agreement with the ESFA). More specifically, there remains some uncertainty regarding the specific level of assurance now required by the funding agency from External Auditors, previously obtained via the ESFA's own funding audits (learner numbers). This has placed additional work and cost to auditors and consequently Colleges. At this point the Committee was also reminded that the College's Internal Auditors also completed an annual funding audit and it was agreed that a review of the expectations of the new External Audit provisions should be checked and compared with that already carried out by the Internal Auditors, in order to ensure that there was no duplication; and to verify whether the External Auditors would be able to take assurance from the Internal Audit work already undertaken. Elaine French reported that the AoC and SFCA were in discussion with the ESFA to clarify the details regarding the new External Audit requirements, but confirmed that any additional work required by the External Auditors would result in additional cost. Once the clarification has been resolved, and following a discussion with the External Auditor, should it no longer be necessary to carry out an Internal audit on the funding matters to avoid a duplication of the audit work, then it may be recommended that the latter audit is no longer needed and the Internal Audit plan would have to be revised; the Committee noted that the funding audit for next year was due in Spring 2022 which gives time to make the adjustment should this be necessary. As an early indication, Mazars has indicated that the cost for this prospective additional work would be in the region of £5K and that this would form part of the annual external audit work, rather than a separate visit; however for the Autumn Term 2021, the normal external audit visit and associated work has been scheduled for October 2021 and once the advice from the ESFA regarding the funding audit has been clarified, the External Auditors would intend to complete this part of their annual audit in November 2021. **ACTION: Elaine French**

As the Committee members had not had time to review the External Audit document, it was agreed that the Planning Report would be recommended to Corporation for approval, subject to confirmation from each member of the Audit Committee by e mail to the Clerk, prior to Corporation, that they endorsed the contents therein. The remuneration as set out in the Report, including both the external audit costs for the year, plus that separately recorded for the Teachers' pension audit work (Proposed Fee 2021 Audit of Varndean College (including regularity assurance engagement) £13,700 (2020 - £13,300), plus Assurance report on Teachers' Pensions EOYC £815 (2020 - £790), plus Additional audit fees resulting from the change in the ACOP –

TO BE AGREED, plus VAT) was recommended for approval. The Committee agreed that regarding the additional ACOP work, the fee would be agreed by the Audit Committee Members (either by meeting or via e mail) at the time, in order to ensure value for money was achieved. **ACTION: Audit Committee/Elaine French**

## **b. Performance Indicators**

The External Auditors' Performance Indicators were reviewed by the Committee and the Vice-Principal's proposed scores were endorsed by the Committee and recommended for approval, noting Elaine French's assurance that the auditors provided good value for money and excellent work, particularly taking into account the impact of the pandemic and the extra work which was created.

Regarding performance indicator 14, the Committee agreed that the score should be graded "1".

The Performance Indicators were recommended to Corporation for approval.

## **7. Risk Management**

Paul Herridge, Chair of the Risk Management Group presented this item to the Committee and highlighted the following key points:

### **a) Draft Minutes from last meeting – May 2021 – noted.**

- Item 4 review of risks – merged Risk Register and Risk Management Action Plan – see below, and the document will develop further before the next RMG meeting.
- Category C and D risks have been removed as more operational/day to day, to enable the RMG to focus upon the more key strategic risks.
- Definitions were revised to the following classifications – to critical, severe, moderate and minor.
- Page 32 Risk MA7 – the RMG discussed the problems regarding the risk assessment process and IT and drew attention to the fact that the IT department was working on developing its internal assessment document which will be presented to Governors once finalised.

### **b) Risk Register/Risk Management Action Plan (merger of 2 documents) – noted.**

The Committee queried the list of risk omitted from the Risk Register with the last one listed being in 2016 and Elaine French confirmed that there had been no other risks added to the list, since then.

### **c) Corporation Assurance Framework Map**

As noted above the Map now only incorporates A and B category risks (critical and severe risks), as the C and D risks have been removed.

Risk Assurance Map – Risk MA7 – in response to a question from the Committee, regarding the fact that there were no entries for this risk, Elaine French advised that this would be updated once the RMG has met and agreed to annotate the Map to that effect.

**ACTION: Elaine French**

The Committee also discussed the risk assessment columns and resultant risk, following mitigation together with the level of risk the College was prepared to accept and tolerate a certain level of risk and therefore retain this in house.

The two documents were recommended to the Audit Committee who agreed that these should be recommended to Corporation for approval. **ACTION: Elaine French**

RMG will review the Risk Management Policy at its next meeting.

## **8. Preparation of Financial Statements Audit**

Elaine French referred to the discussions already held within the External Audit item above and confirmed that provisional discussions had already been held with Mazars; the Finance Team are preparing the necessary work in readiness for this year's audit.

## **9. Policies and Other Documents**

a) **Information Security Policy** – Refer to Matters Arising item – deferred to Autumn Term. Elaine French reiterated that she was working with the IT Team, which included a cyber security specialist. A recent cyber attack on one of the S7 Colleges was noted and hence the need to ensure that the policy is thorough and fit for purpose.

### **b) Anti-Fraud and Irregularity Policy**

The tracked changes were noted by the Committee and following a suggestion by the Committee that under item 6 in respect of the reference to suspected irregularity, it was agreed that the wording should be revised to state “any irregularity” should be reported to Corporation. **ACTION: Elaine French**

Also referring to clause 6, it was agreed that reference to the “Internal Auditors”, should be added to the wording “such actions will take place in consultation with the external auditors”, together with “as appropriate” at the end of the sentence. **ACTION: Elaine French**

At this point it was reported that SLT were unaware of any irregularities over the last year.

Page 47 item 4 – typographical error was noted. **ACTION: Elaine French**

Page 48/49 and items 5, 7 and 10 – reference to Vice-Principal Resources has been included in duplicate. **ACTION: Elaine French**

Subject to the changes recorded above, the revised Policy was recommended to Corporation for approval. **ACTION: Elaine French**

### **c) Anti-Bribery Policy**

The Committee noted the changes in red, which incorporated references to the College's financial regulations, together with Staff role title revisions and the related documents section at the end of the policy, which is a common theme within all College policies.

Regarding the next review date, it was agreed that this should be based upon a 3 year review, subject to any required changes owing to new legislation arising between review periods. The 3 year review period was also agreed for the Anti-Fraud and Irregularity Policy too. **ACTION: Elaine French**

It was also agreed that the reference to the ACOP – should be revised to read “current ACOP”, rather than incorporating the latest date. **ACTION: Elaine French**

Noting the above, the revised Policy was recommended to Corporation. **ACTION: Elaine French**

**10. Fraud Report – nothing to report.**

**11. Meeting Assessment and Annual Self-Assessment of Committee Performance, including review of terms of reference**

The Committee reviewed the various questions on the Committee self-assessment list and agreed that there were no issues to raise apart from noting that the Committee’s membership would need to be reviewed by the Search and Governance Committee, following the resignation of Pete Baker.

It was also noted that the terms of reference for the Committee would need to be updated to reflect the latest ACOP. **ACTION: Louise Pennington**

**12. Date of Next Meeting – 30<sup>th</sup> November 2021**

The Committee resolved that should any documents require review or approval before the next Audit Committee meeting, an additional meeting could be convened, or agreement could be reached by e mail or written resolution as appropriate.

**13. Any Other Business**

Audit Code of Practice: - Noting the points made above regarding the revisions needed to the Committee Terms of Reference, Elaine French also confirmed that she would be reviewing the latest ACOP and would report upon any action required in respect of revisions at the next Audit Committee, also noting the points made above under the External Audit item. **ACTION: Elaine French**

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

Louise Pennington 22/06/21