

# VARNDEAN COLLEGE

## MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON WEDNESDAY 20<sup>th</sup> JUNE 2018 AT 8.15 A.M

Present: Randall Anderson, Peter Baker, Richard Seager.  
In Attendance: Elaine French, Philip Harland, Daniel Canham (Mazars), Louise Pennington  
Apologies: Jane Farrell, Cathy McDonnell (NB: late change of meeting date).  
Welcomes: None  
In the Chair: Randall Anderson

### 1. Apologies for Absence and Welcomes

As above. Sorry for changing meeting date.

### 2. Declaration of Interests

None.

### 3. Minutes of the Meeting held on 6<sup>th</sup> March 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 including items which were included on this meeting's agenda and the following additional comments made:

- **GDPR** – Elaine French updated the Committee regarding progress with GDPR compliance and confirmed that the privacy statement for students was now on the website. Departments have also been asked to submit inventories of personal data held which once all received, will be held in a central record and the College's Data Protection Policy will also then be updated and a Retention Policy prepared. The Committee noted that although the College was not yet fully compliant it was working towards this within a reasonable timeframe expected for the education sector. Reference was also made to the Assurance Strategy Agenda item below.
- **Assurance Strategy and Plan:** Consider catering as internal assurance option – In response to a question from the Committee, Elaine French advised that the College was anticipating received approximately £4,000 from the profit share arrangement with Pabulum (overall cost for year being £24,000). The contract to provide catering services is due for renewal shortly and SLT is in the process of reviewing options, including other providers and taking into account factors such as cost, investment in the College's catering facilities etc. Regarding the profit sharing element of the current contract, Elaine French advised that in order to verify the overall figures,

Pabulum provided the College with monthly figures, although it was noted that no adjustments were made in the College's favour, in respect of cost benefits as a consequence of Pabulum's bulk procurement orders etc. Philip Harland reported that he would be preparing an analysis of 2016/2017 data set for the Sixth Form sector regarding catering provision (whether internal or external and income generated etc) and agreed to issue the results from this to Corporation next term. This would help the College in determining the best way forward regarding catering options. In this regard the Committee supported SLT's decision to extend the current contract for 1 year in order to allow time for the above analysis to be completed and further investigative work to be completed. Furthermore it was also agreed that the associated risk (and whether to include in Risk Register) should be considered at the next Risk Group meeting in October. **ACTION: Philip Harland/Elaine French**

- Internal Audit – General Ledger – include copy of new checklist in next Committee meeting papers – outstanding. Elaine French agreed that this would be circulated to the Members with the draft Minutes. **ACTION: Elaine French/Louise Pennington**
- Internal Audit – Learner Numbers (6/3/18 item 4 a) – refer Internal Audit Report on Agenda.
- 20/11/19 item 9 – risk management – consider whether to add details to register re assurance to College achieved regardless of internal audit work – to be discussed in risk agenda item below.
- 6/3/18 item 4 Matters Arising – Risk Assurance Map re risk F4 – revise commentary to improve clarity – Elaine French confirmed that this had been done.
- 6/3/18 item 4 b) Rolling Action Plan – second bullet point – Elaine French confirmed that she had revised the commentary regarding Governors' safeguarding course details to reflect the Corporation agreed action.
- 6/3/18 item 4 c) Assurance Risk Map – consider other options – refer Risk Map item on agenda.

## **b) Rolling Action Plan**

External Audit actions – none.

Internal Assurance actions: Elaine French advised that the audit items from the latest internal audit report, included in the meeting papers, would be added, after the meeting.

**ACTION: Elaine**

## **5. Internal Assurance Reports**

### **a) Learner Number Systems**

Daniel Canham (Mazars) presented the papers and in response to a request from the Committee, gave an explanation of the auditors' sample testing processes in respect of 16-19 funding. It was also noted that reliance was placed upon the provider data self-assessment toolkit (PDSAT) which identified exceptions, which has proved to be more valuable compared to random sampling methods.

Daniel Canham explained that although Mazars used a RAG rating assurance system for its internal audit work, the classifications were slightly different in respect of Learner numbers to reflect the compliance assurance with the ESFA's funding laws criteria i.e. in this regard, green confirms "full compliance", amber reflects "partial compliance" and red confirms

“limited compliance. Mazars has confirmed that the assurance on compliance with 16-19 funding rules is “partially compliant”.

The audit report confirmed that there were two new priority 2 recommendations (significant), together with 2 housekeeping (priority 3) recommendations in respect of the Follow Up element.

#### New priority 2 recommendations

- 1) Recording of Study leave –an audit was completed to ensure that the planned learning hours were recorded and reconciled to timetables and the ILR (Individualised Learning Records) to make sure that the records have been properly recorded. Following the introduction of the new PDSAT system, the College had moved from running this once per month, to once per year. Furthermore a couple of issues identified in the single run, had not been corrected immediately, although had been resolved once the audit was completed. Reference was made to the report wording on page 4, within the Value for Money section, namely *“Some Colleges we work with have begun to retain all their learner data electronically with all enrolment forms and other signed documents scanned in. As a result, data is more secure and easily accessed when required, which could lead to fewer lost documents and efficiency savings across the year. The College continues to use a paper based records trail and should consider moving towards a less paper based evidence trail in the future.”* which although not a specific recommendation, seemed to suggest that the College should consider moving to a fully electronic system to achieve best value, notwithstanding cost implications. Elaine French advised Governors that the College was working to reduce paper, scanning in documents and relying more on electronic methods of operation and recording, but that it might take some time to achieve a consistent approach across the various departments, particularly where staff have been reliant to date on audit paper trails.

In response to a query from the Committee regarding the priority grade awarded, Daniel Canham agreed that the risk was borderline but that Mazars had classified it as 2 owing to the fact that there could have been financial consequences should errors have arisen. Going forward it was noted that a follow up meeting had been held with Elaine French and the Quality Coordinator to implement the appropriate measures for electronic recording.

- 2) PDSATS – Philip Harland recommended that the Management response on page 7 of the report should be revised to reflect the fact that the recommendation was accepted and that the work to PDSAT reports should have been monitored by the College after each return and that action would be taken to ensure that this was monitored as recommended in future. The committee supported this action. **ACTION: Daniel Canham/Elaine French**
- 3) The two follow up points, item 5.1 and item 5.2 on pages 9 and 10, graded as housekeeping (grade 3) were noted by the Committee and Elaine French confirmed that she had discussed the work required with the Quality Co-ordinator and the IT Manager.

## **b) Purchasing and Procurement**

The effectiveness of internal controls has been classified as “substantial assurance”, with 3 housekeeping recommendations.

Referring to page 2 of the report, noting the extensive list of preferred supplies, Elaine French advised that this would be reviewed and condensed.

Page 6 of the report, item 4.2 Invoice Header Slip – noting the management response to the recommendation that consideration should be given to ensuring, in instances where the budget holder is the originator and approver, that there is an additional control to ensure appropriate spend as required by the Financial Regulations, the Committee was informed that management’s view was that as the majority of departmental budgets were less than 0.2% of the overall budget, that it was thought unnecessary to adjust the financial regulations.

## **c) Follow Up**

The follow up audit areas included Safeguarding, Core Financial Systems and follow up, IT audit (advisory), but noting that the Learner Numbers follow up was included within the Learner Numbers’ audit report above.

Reference was made to the pie chart on page 1 of the report which highlighted the implementation status of the 18 recommendations, noting that 55% of which had been implemented, 11% were in progress, 1 had been superceded and 22% not implemented.

Page 2 of the report summarises the audit areas and recommendations etc, noting that of the 18 recommendations within this report, 6 were classified as priority 3 (housekeeping).

## **6. Assurance Strategy and Plan 2018-2019**

The Committee was reminded that the document had been e mailed separately as it had arrived after the meeting papers had been circulated. The following points were recorded:

- The proposals in the document are similar to that issued last year and as the internal audit service is given on a reduced scope basis, no overall annual audit opinion is given; assurance per audit areas is provided instead.
- For 2018/2019 the core areas remain the same as the current year, being Core Financial Systems (pay roll and expenses) together with Follow Up.
- Additional item is General Data Protection Regulation (GDPR) with two options available – either advisory or full assurance. The Committee discussed the options and resolved that the advisory option should be recommended, noting that further audit work could be completed if necessary for the following year.

Noting the recommendation agreed above, the Assurance Strategy and Plan as revised, was recommended to Corporation for approval. **ACTION: Elaine French/Daniel Canham**

Following a question from the Chair, Daniel Canham, confirmed that there were no issues which the internal auditors would like to raise in the absence of Management.

## **7. Auditors' Reappointment and Remuneration**

The Committee discussed the auditors (Internal and External) work over the last 12 months and resolved to recommend to Corporation that they be appointed re appointed for the 2018/2019 academic year on the following terms:

Internal Auditors: £484 per day, based on 14 days for 2018/2019

External Auditors: to be advised. **ACTION: Elaine French**

## **8. Risk Management**

The various Risk Management papers listed below were considered by the Committee and the recommendations within the Risk Group Meeting minutes (main and confidential) were endorsed by the Committee and recommended to Corporation. **ACTION: Randall Anderson/Elaine French**

### **a) Risk Management Minutes May 2018 (Parts I and II (Confidential))**

Questions arising from the minutes were invited and recorded below:

- Staff training on security issues: Although Elaine French advised that the College's insurance policy was currently under review and that a quote for terrorism cover would be requested, the Committee agreed that this was probably not necessary for the College. It was also noted that an all staff training session was scheduled for the start of the Autumn Term, to be given by Sussex Police. Critical Incident Plan training would also be given to staff at the same time.
- Referring to page 3 of the minutes, Elaine French agreed to add the missing reference. **ACTION: Elaine French**

### **b) Risk Register 2017-2018**

The contents of the revised risk register were noted and endorsed.

### **c) Action Plan 2018-2019**

The following issue arising was highlighted:

- Risk HR2 – Philip Harland reported on the SFC sector annual pay negotiations and likely issues which may arise this year, with further information expected to be made available at the SFCA Conference at the end of June 2018. In response to a question from the Committee, it was noted that the College had included 1% allowance for whole staff pay rise in the 2018/2019 budget.

### **d) Corporation Assurance Framework Map**

The Committee considered the existing assurance map format and compared it to the alternative proposal on page 72, prepared with advice from Mazars. The following observations were made:

- The alternative format was recognised as being more effective visually.
- The three levels of assurance are set out clearly and assistance is given with the colour coding applied to reflect high, medium and low risk, compared to the “H”, “M” and “L” letters used in the original model.
- In response to a query from the Committee regarding the application of the RAG ratings, Elaine French agreed to add additional explanation to improve clarity.

**ACTION: Elaine French**

- It was noted that the revised format would be taken to the Risk Group for further consideration at its next meeting but the Committee broadly gave its approval to the revised version of the Risk Assurance Map being implemented. **ACTION: Elaine French.**

At this point Daniel Canham left the meeting.

### **9. Preparation of Financial Statements Audit 2018**

Elaine French informed the Committee that she would be meeting with the External Auditors (Cara Bushell) next week to go through the initial discussions for the external audit preparation. The external audit visit has been fixed for the first week of October. Following a question from the Committee, it was recorded that FE Colleges are required to base their Report and Accounts on the Casterbridge Model issued annually to the sector. However Elaine French agreed to ask Mazars whether there were any opportunities to reduce the length of this or provide an edited version for Governors to sign off. **ACTION: Elaine French**

### **10. Critical Incident Plan (CIF) – revised**

The revised CIF was presented to the Committee noting that the document had been reduced from 77 pages to 42 pages, with the removal of unnecessary information and some duplication. The Committee noted the confidential page in pink which listed contact numbers (although contact names are no longer included, only job titles). The following points were recorded:

- Job titles have been revised to reflect new SLT structure
- Emergency Response Team, replaced with Critical Incident Response Team; Business Critical Team replaced with Business Continuity Team; Emergency Response Centre replaced with Incident Response Centre
- Action list has been moved to appendices
- Holders of CIP list has been removed and information now covered by text
- Names have been removed from contact list
- Specific recovery time objective in Critical Functions’ section (as will be set according to individual response plans),
- Disaster Recovery Plan has been incorporated into CIP,
- IT Recovery Plan has been removed and will be placed in the IT Management and Security Policy
- The latest update will be placed on the Intranet and Staff informed (and as recorded above, staff training will take place in September 2018).

QUESTIONS AND OBSERVATIONS FROM COMMITTEE:

- Noted from scenario exercise that some Staff were aware that there was a CIP but did not know the key aspects of this. All staff will be reminded of the document, its contents and location at the training session in September.
- Page 106 of papers regarding major IT failure. Elaine French confirmed that there were 2 back up sources – one in a fireproof safe on site and the other off site via Cloud storage.
- Location of CIP – Staff Intranet and hard copies with emergency/critical team. Furthermore relevant contact telephone numbers will also be placed on the emergency team’s mobile phones. It was agreed that taking into account GDPR requirements, the CIP with contact numbers, could not be placed on the website.

The Committee recommended the revised CIP to Corporation for approval, but agreed that this should be included in the Corporation meeting papers via a link, rather than within the PDF papers pack. **ACTION: Elaine French/Louise Pennington**

**11. Policies**

The revised policies listed below were noted by the Committee and the changes recommended to Corporation for approval. It was agreed that only the front sheet explaining the changes need go to Corporation for approval, with the policies available on request, the latter of which will also be on the College’s website. **ACTION: Elaine French**

In response to a request from the Committee, Elaine French agreed to show tracked changes to all policies in future (unless a re-written policy). **ACTION: Elaine French**

- a) **Anti-Bribery Policy**
- b) **Anti-Fraud and Irregularity Policy**

**12. Fraud Report**

Nothing to report so far this year.

**13. Meeting Assessment and Annual Self-Assessment of Committee Performance (including Review of Terms of Reference).**

The annual list of questions were considered by the Committee and there were no issues arising regarding the current workings of the Committee. However it was agreed that timings of meetings should be given further consideration to ensure that the dates are convenient for all Members.

**14. Date of next Meeting**

Referring to the comments made under item 13 above, it was noted that draft dates would be passed to the Chair in the first instance, before final agreement.

**15. Any other Business – None.**

Chair.....

Date.....

Louise Pennington 20/06/18