

**VARNDEAN COLLEGE**  
**MINUTES OF THE AUDIT COMMITTEE MEETING**  
**HELD ON MONDAY 24<sup>th</sup> JUNE 2019 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 Daniel Canham  
(Mazars, Internal Auditors)

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

Apologies: None

Welcomes: None

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 19<sup>th</sup> November 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:

- Catering Contract – In response to a question from the Committee, Elaine French updated Governors and confirmed that subject to a review of the final terms of the contract, a new catering company would be appointed from 1<sup>st</sup> August 2019. It's intended that the new contract will involve a significant investment in kitchen refurbishment over the summer break (£100K approximately over the 5 year contract term). There will be a small profit sharing element within the contract terms, comprising one third to contractor, one third to College for reinvestment in the catering facilities and one third to catering team profit share. The profit sharing element is now commonly included in most catering contracts within the education sector.

- GDPR update – a compliance or advisory GDPR audit has been provisionally scheduled for the Autumn Term internal assurance work and a training session for staff will also be given in July setting out expectations and operational processes, including the finalisation of retention record information so that the final College record may be prepared. The Committee noted that the GDPR retention records should have been in place last year and was keen to see this resolved as soon as possible. **ACTION: Elaine French.** The Committee also suggested that it would be important to have a system in place to enable colleagues to notify the GDPR officer of any new item/record. **ACTION: Louise Pennington**
- AOB item from last meeting – Russell Martin Academy Statement of account to be circulated to Committee Members – following a question from Governors, Elaine French confirmed that the details were being prepared and would be brought to the Audit Committee in the Autumn Term 2019. **ACTION: Elaine French**

#### **b) Rolling Action Plan**

- “To support the College’s corporate planning processes, we would recommend that it establishes an IT Strategy or annual operational plan to identify key priorities and projects and to provide a method by which progress can be judged.” The Committee queried the delay in drafting the IT Strategy and it was reported that SLT were in the process of taking this forward with the aim of completing a follow up in the Autumn Term internal audit work. **ACTION: Elaine French/Philip Harland**
- “Establish and promote a formal IT Security Policy and will provide guidance to support development of the College’s own”. Governors queried the progress with this and it was reported that a draft policy had been prepared and would be embedded as part of the GDPR process. This will be reviewed by Mazars during the internal Audit GDPR advisory audit later this year.

### **5. Internal Assurance Reports**

Daniel Canham presented the Reports to the Committee, noting the following points:

#### **Learner Number Systems**

Learner Numbers continues to be audited annually owing to its importance in underpinning the College’s funding. The Auditors base their assessment upon the ESFA (Education and Skills Funding Agency) working papers, checking compliance with the funding rules on a sample individual learner basis. Random samples were taken based on 2% of 16-19 learners, processed via the PDSAT (provider data self-assessment toolkit) software issued by the ESFA and used in their own Funding Audit work. The software programme is used to identify any anomalies in the records.

In response to a question from the Committee, Daniel Canham explained that in recent years the audit had focused on the College’s main income in respect of 16-19 (approximately £6.9M income). He also agreed that part of the Learner Numbers internal

audit work for next year, could accommodate sampling of the adult education funding Student numbers (approximately £263K income). **ACTION: Elaine French/Daniel Canham**

The latest internal audit report on the College's 16-19 funding compliance Report on 16-19 Students has resulted in a "compliant" assurance level being awarded. There are also no significant recommendations with only 1 housekeeping recommendation relating to the flying start/moving on programme which although has seen some improvements since last year, further progress is still required. The latter recommendation generally relates to a consistent use of electronic records rather than hard copy.

In response to a question from the Committee, Philip Harland confirmed that the College aimed to maximise Students' hours to achieve the 540 hours minimum required by the ESFA's funding agreement.

## **Pay Roll**

The internal audit on pay roll has been given a substantial assurance level with only one housekeeping recommendation regarding a lack of business case for a new starter. In response to a question from the Committee, Elaine French explained that she was working with the HR Department to improve the processes involved when new start are appointed to ensure the process may be tracked.

Philip Harland also explained that the College aims to employ like for like but will investigate options to make savings where possible. The College currently has approximately 250 employees and during the pay roll audit, 15 staff records were examined (5 starters, 5 leavers and 5 cases where there have been salary variations).

The Committee queried whether the sample size was sufficient and Mazars were asked to review this next time to ensure that there was a reasonable sample size. **ACTION: Daniel Canham/Elaine French**

Governors also queried whether there was sufficient assurance provided in terms of the payment of the correct pay level for staff, rather than focusing mainly on starters and leavers. In response Philip Harland reported that the focus upon starters and leavers had been established following errors in payroll some years ago. It was also noted that regarding teaching staff, movements along the pay spine were automatic and that this was unlikely to be a significant risk.

Referring to value for money considerations, the Committee queried whether the College's in-house payroll system was good value for money and it was noted that benchmarking information could be provided by Mazars in future if requested by the College, noting that the sector average cost of a payroll manager according to Mazars information, was £18K which the Committee thought seemed quite low. It was also noted that for those Colleges which outsource payroll, a member of staff would still be required to carry out a payroll function and administration on site too. Daniel Canham explained that there were various caveats to the sector average cost of a payroll manager (e.g. small sample size etc) and following a request from the Committee, he agreed to include these details in the notes to the Report next time. **ACTION: Daniel Canham**

Currently the staff costs are approximately 73% of overall income.

## Follow Up

It was noted that the majority of outstanding audit recommendations had now been taken forward, with most now fully implemented and two in progress (IT Strategy and IT Security policy)

### 6. Assurance Strategy and Plan 2019-2020

Apologies were recorded from Mazars as the paper had been issued too late for inclusion in the meeting papers circulated to the Committee.

The Committee discussed options for next year's internal audit plan and suggested that in future it would be useful to have a list of possible areas for internal audit assessment and comparisons with aspects where other Colleges seek assurance, so that the Committee could make an informed choice. **ACTION: Elaine French/Daniel Canham**

The Committee was reminded that the College had decided in the past not to seek a full scope internal audit and preferred to seek assurance from certain individual areas of work commissioned from Mazars. However Learner Number Systems had been agreed as one of the annual internal audit assurance requirements, along with core financial systems and follow up; other areas are added as necessary. As referred to above the College has also decided to have an advisory GDPR audit in the Autumn Term 2019.

Reference was also made to the risk register and assurance map which gives the Committee indicators of areas where Governors may find it useful to seek assurance via the internal audit processes.

Regarding Core Financial Systems and following a suggestion, it was agreed that in light of the new Insolvency regime and the difficulties facing Colleges in the FE sector, it would be useful to have an audit relating to this; more specifically the audit work would relate to financial planning, cash management, financial forecasting and budgeting etc, noting that the rules regarding financial forecasting established by the ESFA were due to change for next year. **ACTION: Elaine French/Daniel Canham**

In conclusion it was agreed on a provisional basis that the areas for inclusion in the assurance plan for next year would be:

Learner Number Systems

Core Financial systems (insolvency regime issues)

Follow Up

GDPR – advisory audit

The final details would be agreed at the Autumn Term Audit Committee meeting in November, with an assurance strategy and plan being made available by Mazars. However, in the meantime, Daniel Canham and Elaine French would allocate a slot in December for the internal audit work, the details of which would be agreed at the November Audit Committee. **ACTION: Daniel Canham/Elaine French**

At this point in the meeting the Chair asked Daniel Canham, whether he had any issues which he'd like to raise in the absence of management and he confirmed that there were not.

However, he did apologies to the Committee for the delay in issuing the Assurance Strategy and Plan for 2019/2020, owing to family health issues.

At this point Daniel Canham left the meeting.

## **7. Performance Review of Internal and External Auditors and Establish Performance Indicators for Current Year**

The performance indicators for the External Auditors (Mazars) were agreed noting that the audit work had been carried out efficiently; thanks were recorded to the audit team and also to Elaine French and her team for their work. In respect of question 14 (What value is derived by the Audit Committee from the reports received from the External Auditors?), this should be graded "1" high.

Regarding Internal Audit (Mazars), it was noted that this had been a disappointing year with a number of problems, including issues with one of the Mazars' audit members being a day late for the payroll audit work in the Autumn Term 2019 (the audit member has since left Mazars) and also a delay in papers being issued, along with some report errors). In contrast, the Learner Numbers' audit had been carried out very effectively with an experienced audit member. Consequently the performance review indicators awarded this year for Internal Audit are quite low and it was resolved that in respect of question 14, this should be graded "4" low.

The Committee discussed the issues experienced by the College this year and also the many years prior to this when the service from Mazars had been very good. It was resolved that Mazars should be informed about the issues experienced this year and the College's concerns and to seek responses and assurances that such issues would be resolved for next year, combined with a request for fee reduction. Additionally if there was no improvement the College would be forced to initiate a tender procurement process for the 2020/2021 academic year. It was agreed that it was too late to initiate a tender procurement process at this point in the year.

**ACTION: Elaine French**

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

Subject to the points made above, the Committee recommended the reappointment of the External and Internal Auditors for the next academic year. The details of the remuneration agreed will be reported at Corporation (External Audit) and at the Autumn Term Audit Committee (Internal Audit). **ACTION: Elaine French**

## **9. Risk Management**

- a) **Risk Management Minutes 7<sup>th</sup> May 2019**
- b) **Risk Register 2018-2019**
- c) **Action Plan 2019-2020**
- d) **Corporation Assurance Framework Map**

Reference was made to the various enclosures and the following points were recorded:

- **Risk Management Group** – Randall Anderson was the only Governor present at the Meeting, so the record is based on his discussions with the Finance Director. It was agreed that better attendance was required at the meetings in future.

- **Risk Register items:**

- Risk F2 – Risk of not growing owing to competition and demand affecting financial viability - Philip Harland reported on the fact that for 2019/2020 the College's applications are much higher than expected and the risk will be that the College may not be able to accommodate all Students.
- Risk P1 – There are insufficient resources of the right type available to meet accommodation needs – noting that there may also be staffing implications too. There is some limited flexibility regarding staffing owing to the fact that the Access provision is being discontinued for next year so there will be an additional 1.5 FTE available (total current FTE is 56), although it will also be necessary to ensure that the teachers have the relevant expertise needed. Accommodation will be a limiting factor for increasing student numbers but in February 2020, the College will have the new STEM centre available to utilise. Furthermore there is a small degree of flexibility in the budget/financial plan owing to the fact that a provision had been included in respect of the teachers' pension contribution which will now be fully funded by Government. In terms of accommodation, notwithstanding the new STEM building, the College is due to submit a planning application renewal for the existing modular accommodation, which is likely to be submitted during the 1<sup>st</sup> week of July – the decision is likely to be considered at LA Committee level. The College is also due to submit its appeal in respect of the recent planning application rejection which is likely to be made in the next two weeks which is likely to be via a hearing.
- The maximum number of Students which the College's estates will be able to accommodate is about 1705/1710 (currently 1660) without the STEM centre provision.
- Should SLT predict that the staffing budget may be exceeded once Student applications are finalised, Governors will be consulted to approve any increase in staffing costs.
- Risk C1 - Failure to improve value added on BTEC courses – in response to a question from the Committee, Philip Harland explained that there was some evidence that the value added figures were improving and that ALPS data for each BTEC course enabled teachers to measure Students' performance which would be taken forward into the next academic year.
- Risk C3 – to be moved to B risk as recorded in error as A risk. **ACTION: Elaine French**

- **RM Action Plan**

- Risk HR2 - Staff morale deteriorates as a consequence of heavy workload and restrictions on remuneration including pay freezes, leading to possible loss of quality of provision, high staff turnover and a decline in the number of students wishing to come to the College – Philip Harland informed the Committee that the Teaching unions were in the process of taking a vote for strike action in respect of remuneration and workload issues with the aim of persuading the Secretary of State for Education to invest more in education. The vote is due to close in September.
- Risk P1 - There are insufficient resources of the right type available to meet accommodation needs, achievable within required timescales and with successful planning outcomes. This is particularly the case within the science area (laboratories), leading to possible fall in student numbers and a contraction of the size of the College. Philip Harland reported on an on-going issue in Photography and 3D design owing to insufficient resources and the location being inadequate. He confirmed that work would be done over the Summer to improve the facilities for this

curriculum area. Once the STEM centre has been completed the College may consider moving Photography to one of the existing biology labs. There also remains a shortage of toilet facilities and the failed CIF bid in respect of this, was noted.

- **Corporation Assurance Risk Map** – action remains outstanding regarding the calculation of the residual/net risk and it was resolved that Philip Harland and Elaine French should define the methodology and pass recommendations to the next Risk Group meeting for agreement. **ACTION: Elaine French/Philip Harland**

Taking into account the points recorded above, it was resolved to recommend the documents to Corporation for approval. **ACTION: Elaine French**

#### **10. Preparation of Financial Statements Audit 2019**

Elaine French confirmed that the preliminary arrangements in respect of the Financial Statements Audit 2019 were underway and that the audit work was likely to take place during the first week of October 2019.

#### **11. Critical Incident Plan – updated report on scenario outcomes**

Elaine French reported that it was intended to organise a SLT scenario using the specialist security advisor, Tony Pike who has previously given training to the College Staff. This exercise will take place in the Autumn Term 2019, followed by a review of the full Critical Incident Plan in the Spring Term. **ACTION: Elaine French**

In response to a question from the Committee regarding the recording of a risk of an intruder on site, but it was noted that the risk register included the following risk category “serious security incident from external threat”.

#### **12. Fraud Report**

No incidents of fraud have been recorded this year, of which the College is aware.

Reference was made to the latest Audit Code of Practice, Annex D Anti Fraud check list which sets out the details of what Governors and Colleges should do to protect against fraud.

It was noted that this would form part of the external audit in October and would run alongside the regularity audit check list. Details would also be included in the Risk Group meeting in the Autumn Term.

However the Committee agreed that fraud aspects should be discussed by the Audit Committee too and in this regard, regarding the various checklist questions which were given to Governors verbally at the meeting, it was resolved that the terms of reference should be updated to accommodate the new requirements and awareness expected from Governors. **ACTION: Louise Pennington**

It was also noted that when the Anti-Fraud policy was next due for review, the checklist details should be incorporated as appropriate. **ACTION: Elaine French**

#### **13. Value for Money**

The report which was also presented to the last Corporation meeting in May, was noted by the Committee.

In response to a question from Governors arising from an action recorded at the last Audit Committee meeting, Elaine French agreed to let the Audit Committee members know prior to Corporation in July, whether reference will be made to value for money in the revised Business procedures/financial regulations. **ACTION: Elaine French**

**14. Meeting assessment and Annual Self-Assessment of Committee Performance including Review of Terms of Reference**

The Committee considered the questions and the existing terms of reference and the following points were recorded:

- Essential to ensure that the agenda item papers are ready in time for despatch of the papers for each meeting.
- Papers to include in a summary sheet, more explanation and context for those Governors who don't have audit experience.
- Assurance Plan for Internal Assurance to include details of internal assurance areas, to inform Governors, prior to selection being made.

**ACTION: Elaine French**

**15. Date of Next Meeting**

To be advised

**16. Any Other Business**

There was no other business.

Chair.....

Date.....

Louise Pennington 24/06/19