

**VARNDEAN COLLEGE**  
**MINUTES OF THE AUDIT COMMITTEE MEETING**  
**HELD ON MONDAY 6<sup>th</sup> MARCH 2017 AT 8.15 A.M**

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

In Attendance: Elaine French, Philip Harland, Louise Pennington,

Apologies: 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 21<sup>st</sup> November 2016**

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

At this point Cathy McDonnell joined the meeting.

**4. Matters Arising**

**a) Action Points- progress report**

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

- IT systems Audit (Mazars): Elaine French confirmed that following discussions between Daniel Canham (Mazars Internal Audit) and Martin Bentley (IT Manager), the College received a letter on Friday and Internal Audit Planning Memorandum in respect of the agreed audit work. It was noted that two key risks had been identified – 1) Failure to secure environment and 2) Failure to protect against network intrusion, hacking or virus. Accordingly Mazars has assessed that a one day audit would be adequate for the necessary testing of systems and controls and this will include checking the network security, firewalls and perimeter protection, anti-virus and spam protection. The Committee was reminded that it had initially thought that 1-2 audit days would be required. The date has not yet been agreed but it was noted that this was likely to be towards the end of April/beginning of May. Any further audit issues which arise during the 1 day IT internal assurance visit, will be taken forward and included in the internal assurance plan for 2017/2018.
- Internal Assurance 2017 – Following a query from the Chair and reference to item 5 on the agenda, Elaine French advised that part of the Internal Assurance work (Core Financial Systems) for this year had been deferred until May, with agreement of Mazars and reflecting the current workload within the Finance Team. This will result in the Internal Assurance report being presented to the next Audit Committee in

June. The other aspects of Internal Assurance due to be carried out this year have been scheduled for next week (Safeguarding and Learner Numbers).

- Item 7 Annual Report and Financial Statements: Check latest EFA finance record to see whether key financial ratios for all colleges have been revised to reflect FRS102 adjustments: following a question from the Committee, Elaine French confirmed that the EFA's benchmarks have been changed to reflect this and an early warning prompt has been introduced based on the points achieved by individual Colleges in respect of the current ratio and the performance ratio. Furthermore, Philip Harland explained that the funding body had flagged up the College in respect of an early intervention based on last year's figures included in the Finance Record submitted by the College, following a change in the rules. Philip Harland explained that the new rules had been applied retrospectively, and the College had been unable to plan accordingly to ensure that the required target was achieved. Going forward the College will have to revise expenditure in order to ensure that the new benchmarks are achieved. Following a question from the Committee, Philip Harland confirmed that early intervention under the new rules, would be triggered if the particular score achieved by the College was 80 or less and Varndean's score for last year was 80 (in the forecasts for this year, it's predicted to be 90, so outside the trigger point) (NB In the Finance Record the calculation of the grade is based upon the adjusted current ratio score, added to the EBITDA (Earnings before interest, tax, depreciation, amortisation) as percentage of income score). The EFA/SFA representative will be meeting with Philip Harland next week to discuss the matter and to seek assurances from the College that its financial position will be strengthened to reflect the new requirements. The Committee noted the requirement for Colleges to strengthen their surplus position, partly driven by the Area Based Review process in the sector. Elaine French advised that the College (and Governors) would be able to monitor the key ratios more regularly as these were now included in the management accounts which are presented to both SLT and Corporation. Although the key ratio above has been highlighted as an area of concern, the College's financial health of "good" has not been revised. Elaine French explained that based on the revised ratios, this year's projected figures, currently show that the College is in a better financial position than last year's figures in terms of the scoring element.

## **b) Rolling Action Plan**

External Audit actions – none.

Internal Assurance actions – the completed actions as recorded on the report were noted by the Committee, together with those which were due for completion later this academic year.

- Audit Point 4) College should make use of PSDAT User Annotation Function/Registry Manager will review with MIS Analyst: The Committee noted that the team responsible had confirmed that there was in fact a misunderstanding regarding the action point and that it was not a data accuracy issue, but solely about assisting the College in improving efficiency. Elaine French advised that there had been problems with the external system where the College was unable to use the function identified, but that now this had been resolved and will be reflected in the next submission date to the EFA.

### c) Risk Management Action Plan

The contents of the latest Plan were considered by the Committee and the following comments made:

#### CATEGORY A RISKS

- HR1 Inability to fill key staff roles: Philip Harland advised that further internal staff changes had been made by SLT in respect of forthcoming retirements of some senior staff members, including recent appointments to additional roles as Heads of School (2) and an enhanced Assistant Head of School role (with more time to focus upon the support within the BTEC area) which have been successfully filled by existing staff members. At this point Philip Harland also reported that SLT would shortly be examining the income/expenditure figures in respect of Adult Education and explained to the Committee the way in which the three income streams in this area (comprising Adult Education, Community, Discretionary Learning), will continue to be monitored by the College, despite the fact that the funding will be made in one tranche in future, combined with a revised reporting of expenditure in this area by the College to the SFA.. He indicated that the Community provision, although uneconomical had been provided as part of the College's offer in view of it being of social benefit. Once the SLT review of SFA funded courses at the College has been completed, there may be various proposals regarding the offer going forward which would be discussed with the SFA.
- F2 Risk of not growing owing to competition and demand affecting financial viability: Philip Harland confirmed that based on this year's student numbers, funding for next year will be based upon 1,510 students, noting that the College had estimated that this would be slightly higher at 1,525, resulting in £80,000 income shortfall compared to that estimated in the forecast; SLT acknowledges that the College will be able to manage the reduction and will revise its financial figures accordingly. In respect of students numbers for 2017/2018, Philip Harland informed the Committee that the interview process was well underway and that although early days, the projected numbers are in the range of 1,520 and 1,660 (against planned numbers of 1,560); the difficulties of calculating conversion from application to enrolment was also noted. On top of this the College is also recruiting between 15 and 20 students to the Russell Martin Academy (Football), where students combine football training with a double Sports Award. With these student numbers the Academy will be cost effective, noting that the costs are split between the College and the Academy in a ratio of 60:40 respectively. Furthermore should the venture prove successful with an increasing number of students, it is likely that the Academy will facilitate the improvement of the various sporting facilities at the College. In response to a question from the Committee regarding the possibility of application numbers exceeding the College's target of 1,560, Philip Harland confirmed that there was space on site to cater for additional students, depending upon students' subject preferences. The greatest difficulty regarding space will be in respect of Science, where specific laboratory space is essential; however Governors were advised that it was proposed that two additional Science portable laboratories would be acquired, along with the existing laboratories, subject to planning permission. Furthermore it was reported that would be additional classroom space if needed, provided by the recently decommissioned "huts" accommodation, now being used as student study space/storage facilities.

- C1 Failure to improve success rates in certain areas such as BTEC: as mentioned earlier in item c) first bullet point above, additional staff time has been allocated to resolve this.

**CATEGORY B RISKS**

- Elaine French agreed to revise item MA1 from “business continuity plans” to “critical incident plans”. It was also recorded that the revised Plan would be brought to the next Audit Committee for discussion and agreement and that in this regard, Nicholas Carr would be engaged to assist with this. **ACTION: Elaine French**

**d) Risk Assurance Map**

The Committee noted the contents of the Map which has not changed since the last meeting. Regarding item F4 (Uncertainty caused by Government Policy) and in response to a question from the Chair, potential effects upon FE Education Funding and in particular Adult Education provision, was discussed in light of the forthcoming Budget. Philip Harland suggested that any issues arising could be discussed by Governors and Senior Staff at the Governor Strategic Planning Day on 15<sup>th</sup> March. Furthermore, Philip Harland informed Governors that Peter Bailey, the Curriculum Director, would be giving a briefing at the event on the various aspects relating to the College’s curriculum provision, including post-19 Adult Education including potential options to develop this if opportunities arise.

As the current map has previously been approved by Corporation, it was resolved that it would not be necessary to recirculate the document, unless specifically requested by Governors. **ACTION: Elaine French/Louise Pennington**

**5. Internal Assurance**

Refer Matters Arising item 4 a).

In addition the Committee discussed the timing of the internal audit visits, in light of the deferment of the Core Financial Systems part of the audit visit to the Summer Term. On reflection and taking into account that the audit visits were focused upon testing systems and controls, it was resolved that the timings of future internal assurance visits should remain within the historical time schedule. **ACTION: Elaine French**

**6. Performance Review for External Auditors and Establish PIs for Current Year**

The proposed indicators were considered and agreed by the Committee and these were recommended to Corporation for approval. **ACTION: Elaine French**

**7. Date of Next Meeting**

Monday 19<sup>th</sup> June 2017

**8. Any Other Business**

There was no other business.

Chair.....

Date.....

Louise Pennington 6/03/17