

## VARNDEAN COLLEGE

### MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON MONDAY 20<sup>th</sup> NOVEMBER 2017 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 Cara Bushell.

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> June 2017

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:

- IT Security Review and Audit –Autumn Term – on Agenda.

##### b) Rolling Action Plan

External Audit actions – none.

Internal Assurance actions:

- on request training for budget holders completed by Elaine French. In response to a query from the Committee, Elaine French confirmed that all main budget holders had received the financial training in September and that any new main budget holders would be required to complete the same training on appointment. Furthermore, the main budget holders have been informed that refresher training may be requested at any time. Elaine French agreed to revise the management response and action section to reflect this. **ACTION: Elaine French**
- Second last action – new Senior finance Officer has been appointed and will be taking this action forward. **ACTION: Elaine French**

At this point Cathy McDonnell joined the meeting.

c) Risk Management Action Plan

The contents of the Plan were noted and Elaine French confirmed that she would revise the document to include the new risk agreed at the October Risk Management Group Meeting, prior to including the document in the December Corporation Meeting papers. **ACTION:**

**Elaine**

**5. Annual Report of the Audit Committee**

The Committee considered the content of the report and the document was approved subject to the following changes:

- Reduce the number of years given for auditors' fees.
- Add Committee terms of reference to Report for Corporation.
- Remove any highlighted colour within the text.

**ACTION: Louise Pennington**

In response to a question from the Committee, the reasons for not adopting the AoC's Code of Good Governance for English Colleges, were revisited.

**6. Annual Report and Financial Statements**

The paper was presented to the Committee by Elaine French and the following comments made and actions agreed:

- Page 35 of the papers, reference to the Finance Working Group – move to below the Audit Committee entry. **ACTION: Elaine French**
- Page 45 of the papers: Non-Current Assets – the reasons for the reduction in this entry compared to the previous year was explained, mainly being the effect of depreciation, including that arising from new computer equipment (refer note 11 to the Accounts)
- Members' Schedule – Corporation attendance: the Committee discussed the 70% target noting that the exact percentage was not achievable owing to the number of meetings held per year (6 meetings). Governors' attendance is monitored annually by the Search and Governance Committee in the Autumn Term.

At this point Philip Harland joined the meeting.

**a) Draft Financial Statements July 2017 and b) Audit Completion Report July 2017**

The contents of the Draft Annual Report and financial Statements were considered by the Committee, along with the Auditors' Audit Completion Report and the following points were recorded:

Cara Bushell gave a summary of the audit field work completed during early October and reported that the work had been completed with no audit issues having been identified. Thanks were recorded to the Finance Team for their assistance during the audit process.

- Financial highlights:

- total income increased by £90,000; expenditure has fallen by £4,000 with overall deficit of (£77,000) (compared to (£171,000) last year). The deficit includes non-cash accounting adjustments in respect of the LGPS (Local Government Pension Scheme) of £238,000.

- Cash Flow – favourable performance with an operating cash inflow of £283,000.
  - Income – increased Student Numbers owing to the closure of Haywards Heath Sixth Form provision, as previously advised to Governors.
  - Expenditure: ratio of staff costs compared to income is 73%, being an improvement compared to last year (75%) and reflecting a fall in FTE from 149 to 143.
  - Balance sheet - key movements on fixed assets' entry as recorded above in respect of depreciation of £498,000.
  - Creditors – reduced owing to a reduction in International Student Fees paid in advance.
  - Pension Liability – this has reduced by approximately £1M, compared to last year.

- Significant risks identified and conclusions:

- Going concern: Of all audits completed by Mazars this year, Cara Bushell confirmed that Varndean College was the most straightforward audit with no issues identified, having reviewed all the usual areas including budget forecasting and taking into account the outcome of the Area Review.
  - Management override of controls – the accounting estimates were checked in terms of signification transactions outside normal business expectations, ensuring authorisation was properly followed in all instances tested, along with allowances for reasonableness and judgement, combined with risk based testing on journal entries to ensure that no fraud had taken place over the year
  - Income recognition – looked at cut off point of income to ensure that it has been recognised in the correct accounting period etc.
  - Key areas of management judgement – the auditors checked for aspects such as depreciation rates and assumptions used in calculating the deficit on the LGPS, based on policies and external requirements. Regarding pension calculations, Mazars in house actuarial team tested and made comparisons with the sector.
  - Accounting policies – these were reviewed to check for accuracy and compliance.

The Committee queried the current ratio and Elaine French confirmed that the adjusted current ratio was 1.6.

At this point the Chair questioned whether Cara Bushell would like to discuss any matters with the Committee in the absence of the SLT Members and she advised that there were no issues to report.

The Annual Report and Financial Statements were recommended to Corporation for approval. **ACTION: Elaine French**

## **b) Regularity Audit Self-Assessment Questionnaire July 2017**

It was recorded that the text highlighted in yellow reflected new additions to the Questionnaire compared to last year's version. There were no issues drawn to the Committee's attention.

With reference to page 85 of the papers, in response to a question from the Committee regarding charitable principles and the staff training in respect of the Bribery Act, it was agreed that this requirement needed further management attention. Consequently it was resolved that all those staff members to whom the Policy applies, should be reminded annually that they have read and understand the Policy and the requirements therein. Furthermore SLT agreed to identify those staff members to whom this annual reminder should be circulated. **ACTION: Elaine French**

## **c) Letters of Representation for Financial Statements and Regularity Audit**

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

## **7. IT Audit Key Findings Letter and Report**

The Committee welcomed the report noting that the first version set out the aspects for audit whilst the second version incorporated the responses. The following points were recorded:

- a) 1 day audit time allocated to the IT audit. If the Committee would like to see a more detailed IT audit, then allocated time could be included in next year's internal audit plan.
- b) CCTV to be placed in the IT Server Rooms – this has been done via the addition of a webcam, at minimal cost. Elaine French confirmed that the IT Department check the recordings regularly.
- c) Operational Strategy (item 4.2) – the IT Manager is working on the production of this at present with Philip Harland.
- d) IT security implementation (item 4.3) – Sample policies have been issued which the IT Manager is reviewing. Although the target date stated is September 2018, Elaine French confirmed that the policies should be introduced during the Spring Term 2018.
- e) Regular password changes (item 4.4) – the Committee discussed the pros and cons of regular changes but also reflected on the benefit of having more complicated passwords, which were retained for longer periods, and noting that IT experts disagreed on the most effective password system. In conclusion although the report recommendation stated that password changes should be termly, it was resolved that following consultation with SLT and the IT Manager, an annual, but more complex, password approach should be introduced and that the timescale in the report should be revised accordingly. **ACTION: Elaine French**

## **8. Internal Assurance Performance Review Indicators for Internal Assurance Auditors**

The Committee considered the proposed grades given and Elaine French confirmed that there were no issues arising from the College regarding the internal audit team. Regarding question 3, it was noted that the grade 2 given, related to the fact that

every year the audit team includes a new junior member of the team and the College staff find this a little challenging at times in terms of having to provide information and training to the new auditor whom hadn't yet acquired the experience of the sector.

It was also noted that the Financial Statements' auditors also placed some reliance on the Internal Auditor work and also found the additional IT audit report useful, avoiding the need to duplicate some aspects of the audit work carried out.

The Committee agreed the grades proposed and also decided that the grade in respect of Question 14 should be "2". **ACTION: Elaine French**

## **9. Risk Management**

The various Risk Management papers were considered by the Committee, approving the recommendations within the Risk Group meeting minutes and the reports listed below, including the new Category B Risk MA12 regarding the damage to the College's reputation regarding the potential land development (this will be added to the Action Plan before submission to Corporation **ACTION: Elaine French**)

- a) Draft Minutes from Risk Management Group Meeting 9<sup>th</sup> October 2017.**
- b) Annual Report**
- c) Assurance Map Update**
- d) Gross to Net Risk Update**
- e) Risk Register 2017-2018**

The following additional points were recorded:

- One risk has been moved, namely the Financial Instability relating to Government Funding which is deemed to no longer be significant.
- Elaine French agreed to give some thought to a proposal from the Committee that assurance regardless of internal audit visits, should be added to the register.  
**ACTION: Elaine French**
- Referring to the minute regarding MA12 above, the controls listed for this risk were considered, including the fact that press releases had been schedule once planning permission has been submitted/made public. At that time, the College has proposed to write to parents and also issue a press release and the Committee discussed the various options and implications of meeting with the Press etc, noting that the College will also issue the parents' letter to those entitled to respond to the consultation when the planning applications are formally issued by the Local Authority.

## **10. Policies**

### **a) Risk Management Policy – no change and recommend to Corporation**

The policy was recommended to Corporation for approval, noting that there were no major changes. However it was noted that on page 135 regarding the statement about the annual review of documents, additional wording should be added to reflect that a second Risk Group Meeting was now held in October annually. **ACTION: Elaine French**

**11. Date of Next Meeting**

Monday 5<sup>th</sup> March 2018

**12. Any Other Business**

There was no other business.

Chair.....

Date.....

Louise Pennington 20/11/17