

VARNDEAN COLLEGE
MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON TUESDAY 19TH JANUARY 2021 AT 9.00 A.M

Present: Peter Baker, Paul Herridge, Richard Seager, Alan Walker, Brendan Ward

In Attendance: Elaine French (Vice-Principal), Donna-Marie Janson (Principal), Louise Pennington and Nicola Wakefield (Mazars, External Auditors)

(Mazars - in attendance until the end of Item 6).

Apologies: None

Welcomes: None

In the Chair: Alan Walker

1. Apologies for Absence and Welcomes

As above.

2. Declaration of Interests

None.

3. Minutes of the Meeting held on 23rd June 2020

The minutes were approved by the Committee and the Chair authorised to sign them.

It was noted that meeting scheduled for 1st December 2020 had been deferred owing to the delay in finalising the Audit Completion Report by Mazars, caused by the pandemic.

4. Matters Arising

a) Action Points- progress report

Nicola Wakefield (Mazars External Auditors) joined the meeting at this point.

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

- **GDPR update, Internal Assurance Matters, including Internal Assurance Strategy and Plan, and Internal Auditors' Appointment** – there may be changes in the Data Protection rules relating to EU matters and Governors will be kept informed as soon as any notification/guidance is issued. The GDPR internal audit work won't be completed until the College has taken forward the need to appoint new Internal Auditors, following the resignation of the current auditors last year. Elaine French reminded the Committee that the College was in the same position as BHASVIC and that the delay in seeking a successor had been exacerbated by the pandemic and remote working. The Committee expressed concern regarding the delay in proceeding with internal audit work and also the GDPR progress owing to this (since 2019). It was agreed that a new internal audit appointment should be

made as soon as feasible with a target date of the end of March 2021, in time for formal appointment by Corporation at its meeting on 31st March (noting also that the next Audit Committee meeting was currently scheduled for 16th March). It was also agreed that Alan Walker would be the Governor joining the Tender Board for the Internal Auditor Appointment, with Brendan Ward as substitute if Alan Walker is unable to attend. **ACTION: Elaine French/Alan Walker.** In response to a question from Brendan Ward, further information regarding the statutory requirements and best practice guidelines was requested. **ACTION: Elaine French/Louise Pennington** At this point, the Committee discussed whether it would be worthwhile considering seeking a one off contract from a suitable provider to meet the GDPR objective more quickly, particularly as it was intended as an advisory piece of work, rather than a more detailed internal assurance exercise. Elaine French agreed to investigate this option at the same time as seeking internal auditor options. **ACTION: Elaine French** At this point the Committee also recognised the difficulty in providing appropriate assurances to the Corporation, as specified in the Committee's terms of reference, based on the internal audit work carried out, noting that the latter had not been available for some time.

- **Risk Management items** - completed.
- **Value for Money considerations (in house payroll system – internal auditor to include details in future reports regarding options used by various Colleges/caveats to sector average costing analysis)** - to be taken forward in internal audit work once Internal Auditors are appointed. The value for money aspects and the financial regulations – refer item below – 9d.
- **Information Security Policy (previously IT Security Policy) – Elaine French** updated the Committee confirming that she was working with Martin Bentley, IT Manager, to finalise this, following further consideration by SLT to ensure that the document covered all aspects of the College's business. **ACTION: Elaine French (for March 2021 Audit Committee)**
- **ACTION: Elaine French**
- **Page 18** of the document and the various question marks regarding timing and action taken, were updated by Elaine French, noting the following:
 - Risk Scores – completed.
 - Latest Risk Assessment – circulated to Committee members and latest version will be circulated to the Committee shortly, once it's been signed off by the Principal and Union Rep. **ACTION: Donna-Marie Janson**
 - **Risk Assessment range and scoring, and inconsistency with document and College's Risk Register** – reference was also made to the Risk Management Group previous minutes which recorded the discussions held – the Committee discussed the matter and agreed that the different scoring system and rationale for 2 methods was difficult to follow. In conclusion, it was resolved that in order that Governors would be able to provide reasons for the difference and the specific rationale, then greater clarity of explanation regarding the differences in risk scores between the 2 documents, should be provided to the Committee and Governors. Elaine French agreed to take this forward with Nick Stubbs (Health and Safety Officer) and report back to the Committee and Risk Management Group. **ACTION: Donna-Marie Janson**
 - **Other Risk points** – noted as done.
 - **Item j) In future Risk reports include metrics – impact and likelihood with more detail eg number of injuries/specified number of deaths etc** – notwithstanding

that metrics on impact and likelihood had been included in the risk reports, the additional detail as requested by Governors had not been included. It was agreed that further details should be added within the legend in the report to cover this and to improve clarity for Governors. **ACTION: Elaine French/Donna-Marie Janson (and involving Paul Herridge in the discussions)**

- **Pandemic – management by the College – to go to June 2021 Audit Committee. ACTION: Elaine French**

b) Rolling Action Plan

The contents of the Plan were noted by the Committee and Elaine French drew Governors' attention to the following:

- IT Strategy Plan refer above in actions 'schedule/matters arising and also on agenda.
- Information Security Policy – also refer above.
- Other points – completed.

c) Risk Management Action Plan

The contents of the Action Plan introduced by Elaine French and which had been updated following the last Risk Group meeting in October 2020, were noted by the Committee.

Referring to pages 22-25, Paul Herridge (Chair of Risk Management Group) confirmed that Risk MA13 had been discussed by the Group at its last meeting in some detail, noting the ongoing impact arising from Coronavirus. Further action/revision will depend upon the risk assessments which Nick Stubbs is updating and should the revisions be significant/further new Government guidelines be issued, Governors will be updated accordingly.

5. Annual Report of the Audit Committee

The Committee noted the contents of the report and recommended the Report to Corporation noting that it would be presented to Corporation before the Annual Report and Financial Statements, subject to the following points and revisions:

- Remove final paragraph on page 2 of 6 in item 6) Internal Assurance Service an unnecessary information and relating to future year.
- Page 4 of 6 item 11 Meeting with Internal Assurance Providers and External Auditors – following a suggestion from the Committee, it was confirmed that the Committee was able to ask such questions at any Committee meeting if required.
- In response to a question from the Committee to Nicola Wakefield, she confirmed that the audit work completed on the Financial Statements related to a review of the detailed figures and judgements made by Management and that in contrast the Regularity Audit work, was an audit of the responses to the questions given with the Regularity Audit Self-Assessment Questionnaire.
- Page 5 of 6 item 15 The Required Opinions of the Audit Committee – in response to a question regarding the ability of the Committee to provide the assurance required to Corporation, regarding the “adequacy and effectiveness of the College’s audit arrangements, framework of governance, risk management and control and processes for securing economy, efficiency and effectiveness.....”, the Committee expressed some concern regarding this year’s assurance owing to the fact that it had not had the advantage of receiving the usual levels of Internal

Assurance, owing to the resignation of the Internal Auditors in July 2020 and the delay in carrying out other internal assurance work, owing to Covid. At this point, it was explained that the Committee and Corporation was provided with various other aspects of assurance including the following: Management Accounts, Finance Working Group work and papers, Risk Group work and papers and various other financial reports. In conclusion it was agreed to add some of the additional assurances as given above, to the wording of clause 15 in the document.

Subject to the changes recorded above, the document was recommended to Corporation for approval. **ACTION: Louise Pennington**

6. Annual Report and Financial Statements/Audit Findings Report

The papers were introduced by Nicola Wakefield (Mazars, External Auditors), the external auditor and the following points recorded – item b) was taken before item a) below.

a) Draft Financial Statements July 2020

Noting that the document had previously been circulated to both the FWG and the December 2020 Corporation meeting, Elaine French confirmed the various minor changes which would be addressed in the accounts prior to the final version being presented to Corporation:

- As per the point made below in b) regarding the unadjusted item – it was noted that the record would be amended in the final version of the Report and Accounts.
- There were also some amendments to wording regarding going concern and impact of pandemic and this version will go to Corporation next week. **ACTION: Elaine French**

b) Audit Completion Report July 2020

Nicola Wakefield, Mazars, presented the Report to the Committee, noting the following points and thanking Elaine French and the Finance Team for their assistance during the audit process.:

- Audit work was completed remotely owing to the pandemic.
- Assurance was provided that the auditors would issue an unqualified, clean audit report, notwithstanding that there were some final issues to be resolved, including confirmation of the bank overdraft facility.
- A clean regularity audit was also confirmed.
- It was noted that the audit process had taken longer this year owing to Covid, reflecting the difficulty with dealing with all the audit work remotely and although there remained some outstanding work, Nicola Wakefield provided assurance that the filing deadline (31st January 2021 – revised from the usual annual deadline of 31st December), would be met; other Colleges were in a similar situation with regard to timing.
- In summary, of the usual areas audited - income recognition, management override of control and going concern - it was only the latter which required some additional information, namely the bank's confirmation of the overdraft facility and impact on the cashflow of the College. There are also some minor issues/final reviews to be resolved/completed prior to finalising the Report, but Nicola Wakefield advised that

there were no particular issues anticipated in this area which would affect the final report and the ability to provide a clean audit opinion.

- Other judgement areas were highlighted: pension scheme which as it has with all Colleges, resulted in another significant movement, the details of which have been agreed with the auditors' actuarial team, and assumptions made by the College also verified; depreciation – where there were no issues of concern raised; fixed assets – minor issues were discussed regarding this area and in particular in respect of the kitchen refurbishment in order to check the validity of the capital items and disposals. At this point it was noted that there was a sum of £245K retained with assets (separate balance sheet item) (in course of construction – re Capital Master Plan), which has been carried forward and checks were carried out to confirm the details.
- There were no also control issues raised during the audit work and Nicola Wakefield explained the difficulty for all auditors working remotely, of identifying control points when off site.
- 1 small unadjusted item relating to the accounting treatment of leases had been raised during the audit and Elaine French updated the item to reflect the most appropriate accounting treatment.
- Nicola Wakefield advised that the College's finance and audit records, demonstrated that good processes were followed, despite the difficult circumstances during the pandemic.
- Typographical point on page 50 was noted – 31/7/19 should read 31/7/20 which would be corrected in the final version. **ACTION: Elaine French/Nicola Wakefield**
- Page 54 – revise Principal's name as signatory. **ACTION: Elaine French/Nicola Wakefield**
- In response to a question from the Committee, Elaine French confirmed that the balance of retention to Pilbeam (STEM Centre construction) was paid after the year end and would therefore be reflected in next year's financial statements.
- The Committee questioned this year's deficit and sought assurance from the external auditor. In response Nicola Wakefield agreed that a deficit was a problem, but that it only reflected the 12 month period and that longer term plans should be put in place to reverse this. In the short term, she advised that it was particularly important for SLT and Governors to monitor the cash flow position. Governors asked whether this point should be stated within the Report, but as this only reflects the 12 month position, it was not thought appropriate to do so. However, it was agreed that a note to this effect, should be included in the front sheet executive summary with the Annual Report and Financial statements, being presented to Corporation. **ACTION: Elaine French.**
- The Committee also asked for an opinion from the auditors on the College's solvency and Nicola Wakefield confirmed that subject to the agreement of the bank's overdraft facility, the College would be solvent and a going concern and despite the current ratio being less than 1 - Nicola Wakefield reiterated the importance of focusing upon the College's cashflow. At this point the Committee had a discussion regarding if/when action would need to be taken should the College's financial situation deteriorate, with sign that the deficit was likely to increase etc, noting also the high level of Staff costs (approx. 80% of income) and the significant impact of the pension fund annual revaluation requirements and querying whether an action plan should be put in place in case such a situation was to arise. In conclusion, it was noted that College should not be compared to a traditional commercial business, as approximately 85% of its income was from guaranteed ESFA funding, combined with

the fact that the College's financial health was monitored and assessed based upon its EBITDA (earnings before income, taxation, depreciation and amortisation), rather than a small deficit position. It was noted that the College would continue to monitor its financial position very closely and report regularly to the Governing Body, so that should it be necessary, action could be taken in a timely manner.

Thanks were recorded to Nicola Wakefield and the Mazars team for their working during these difficult circumstances.

Subject to the points and changes made above, the Committee endorsed the Annual Report and Financial Statements with regard to audit issues and accepted the Audit Completion Report. **ACTION: Elaine French/Nicola Wakefield**

c) Regularity Audit Self-Assessment Questionnaire July 2020 (supports Regularity Audit Statement) together with Annex

The contents of the document including the additional annex, introduced this year (including additional questions relating to the pandemic) were considered by the Committee, noting that the responses had been prepared by Elaine French (financial/audit) and Louise Pennington (Governance).

It was noted that the draft document had been examined by the External Auditors as part of their regularity audit work and once finalised and approved by Corporation, would be signed by the Chair and Principal (Accounting Officer) and passed to the External Auditors (not required to be submitted with the Annual Report and Financial Statements to the ESFA).

The following questions and other points were noted:

- In response to a question from the Committee regarding the inclusion of some yes/no answers in the responses to the questions, Nicola Wakefield confirmed that this was appropriate and reasonable in some cases and that other Colleges will be doing the same whilst others may include further detail, depending upon their own circumstances.
- Page 104 – question regarding the Corporation's ability to confirm value for money: the Committee discussed the proposed response entry given and whether in this instance as yes/no response should be included, rather than just the following current response "All expenditure is reviewed by the Finance Working Group and then Corporation through the budget setting process and management accounts presented at each meeting", together with various details included within the evidence column of the document. The Committee reiterated and discussed the point raised in previous meetings, regarding the assurances and the need for sufficient evidence received in order for the Committee to be able to confirm the value for money point. Elaine French reminded the Committee of the various forms of evidence provided to Governors and also confirmed that in line with the new financial regulations and the statement included therein regarding value for money, that once the financial regulations have been approved (on agenda today and then to Corporation for final agreement), the document would be embedded within the College working practices and Staff informed via Staff briefings/heads of departments and training offers; checks will also be carried out over time to ensure compliance with the regulations. In conclusion, it was agreed that appropriate wording explaining the systems and processes in place together with information available and that the latter would be further enhanced by the College's adherence with the financial

regulations which have been revised, would be added to this section of the Questionnaire document prior to final agreement by Corporation. Nicola Wakefield added that value for money and other similar responsibilities, were common difficult issues experienced by all Governing Bodies. **ACTION: Elaine French**

d) Letters of Representation (supports Financial Statements and Regularity Audit July 2020)

The content of the two Letters of Representation were considered by the Committee and recommended to Corporation for approval, after which the Chair would be authorised to sign these, before final submission with the financial statements to the ESFA. **ACTION: Elaine French/Chair**

At this point, the Chair invited Mazars to raise any issues regarding their work with management during the audit process in the absence of management, but Nicola Wakefield confirmed that there were no issues to raise. Thanks were recorded to the External Auditors for their work during the audit process and at this point Nicola Wakefield left the meeting.

The Audit Committee also recorded its thanks both to Elaine French and the Finance Team and to Nicola Wakefield and Mazars for their working during this difficult time.

7. Risk Management

The Committee was reminded that all the Risk documents, detailed below, had already been presented to Corporation at its December 2020 meeting to ensure that all Governors were kept up to date, despite the deferral of the Audit Committee from 1st December 2020 to today's meeting.

a) Draft Minutes from Risk Management Group Meeting 7th July and 20th October 2020 Part I and Part II (Confidential)

The contents of the main and confidential draft minutes were noted.

b) Annual Report

The document was recommended to Corporation for approval. **ACTION: Elaine French**

c) Assurance Map Update

The contents of the Map were considered and account taken of any Risk Group comments as recorded in the RMG minutes referred to above. The document was recommended to Corporation for approval. **ACTION: Elaine French**

d) Risk Register 2020-2021

Reference was made to the Risk Register review by the recent Risk Group meeting and the changes agreed as recorded in the Risk Group minutes and the revised register was recommended to Corporation for approval. **ACTION: Elaine French**

Paul Herridge (Chair of Risk Management Group) provided clarification to the Committee relating to the explanations given in the draft RMG minutes regarding the risk assessment and confirmed that as agreed earlier, the latest Risk Assessment would be circulated to Committee members shortly (and by the end of next week at the latest). Furthermore, any

outstanding actions would be reviewed at the next Risk Management Group Meeting in May 2021. **ACTION: Donna-Marie Janson/Elaine French**

All the risk documents above were endorsed by the Audit Committee and recommended to Corporation for approval. **ACTION: Elaine French**

8. Appointment of New Internal Auditor (and note delay in the production and approval of the Assurance Strategy and Plan)

Account was taken of the discussions held earlier and the target to seek new auditors by the end of 31st March 2021 and noting that any appointment would have to follow the usual tender process (involving at least 1 Governor – in this instance Alan Walker or Brendan Ward – refer above), and then be recommended by the Audit Committee and approved by Corporation (Corporation meeting scheduled for 31st March 2021).

The Committee also discussed whether owing to the pressure of work on SLT and Staff arising from the pandemic, the Audit Committee meeting was necessary and it was concluded that unless there was any urgent business, this meeting may be deferred until the following term. Regarding any urgent decision making though, it was noted that Audit Committee members could action this via written resolution, prior to Corporation approval or hold a 1 item meeting agenda immediately prior to Corporation to deal with the Internal Auditor appointment. **ACTION: Elaine French/Alan Walker/Louise Pennington**

9. Policies and Other Documents

- a) **Risk Management Policy** – approved as unchanged and recommended to Corporation for approval.
- b) **IT/ILT Strategy (action plan available on request)** - The Principal confirmed the internal process involved in preparing the final Information Learning Strategy document.

In response to questions from the Committee Members the following points were recorded:

QUESTIONS:

- What is different or aspirational?
- Are we being sufficiently ambitious and if so, how will the College determine this?
- What are the hurdles which the College faces financially or otherwise in order to achieve the objectives?

RESPONSES FROM THE PRINCIPAL

- The previous Principal had drafted a strategy and further work was required before it could be completed and issued. Since then, the new Principal has worked on a new Strategy in consultation with various Departments and taking into account the current climate.
- The College's ambition was to generate a complete strategy with long term thinking regarding the Student experience in terms of ILT. Owing to Covid, the extensive improvements in the College's overall ILT for Staff and Students was implemented very quickly.

- Supplementary to the Strategy, SLT has included an operational action plan which will be updated annually and to ensure that progress has been monitored and targeted actions met. Governors will be kept informed of this process annually – probably via Corporation meetings, as the action plan will cover both quality of teaching and learning and finance/audit matters. **ACTION: Donna-Marie Janson**
- Hurdles – financial limitations are the most significant issue as IT equipment and software are costly e.g. cameras for classrooms/remote teaching, wifi/network improvements, and software programmes and equipment for certain courses eg photography and 3D design. Furthermore, Staff training and development appropriate for new ways of working/new equipment and software usage, will have a cost element, unless in house training can be given. Regardless of this, much has been done during the pandemic with significant work having been carried out by the IT Department in order to ensure the remote working can take place effectively for both Staff and Students. It was also noted that there has been lots of progress in moving certain administration operations from paper to electronic records/processes.

The Committee also recognised that other issues arising from digital and remote working and potential future options, post the pandemic, would need to be considered, with various possibilities and potential for innovations. The Principal agreed that this would form part of SLT's and Governors' future forward planning and strategic discussions.

The Committee recommended the document to Corporation for approval. **ACTION: Donna-Marie Janson**

- c) Anti-Fraud Checklist as updated July 2020 and Counter Fraud Strategy – note to include Anti-Fraud and Irregularity Policy at next review in Spring 2021)

The contents of the document were noted and that this would be added to the Anti-Fraud and Irregularity Policy which would be reviewed by the Audit Committee at its next meeting.

ACTION: Elaine French

- d) Financial Regulations

Taking into account previous meetings' discussions together with the meeting held between Alan Walker, Richard Seager, Elaine French and Louise Pennington on 1st December 2020 to finalise the last details of the document, the final version of the Regulations was recommended to Corporation for approval. **ACTION: Elaine French**

Reference was also made to the various points made earlier regarding monitoring compliance, informed and training Staff etc

It was noted that the final version would be uploaded to the website and circulated to Staff to ensure full awareness and compliance, together with Staff Meeting briefings and Budget Holder training for those requiring assistance.

At this point, Elaine French reported to the Committee on the matter raised at the FWG meeting concerning possible non-compliance with item 8.4 Travel and Subsistence) ("Claims by the College Principal will be submitted for checking and approval by the Chair of Corporation"), noting that the Chair had not been asked to sign off expenses to date). Elaine French reported that the College's actual process

had been to prepare the Principal's expenses (and other SLT members etc) on a termly basis by the Principalship and had been checked. She also reported that the majority of the previous Principal's expenses relating to attendance at training courses/conferences etc of which costs were paid directly to the organiser. The current Principal has not submitted any expenses for settlement to date. Furthermore, the FWG also reviewed budgetary breakdown including Staff costs and expenses. It was suggested by the FWG members that it might be best to suggest that the Principal's expenses are signed off but in respect of costs above a set limit – to be agreed and this proposal will be taken forward. Should there be a further revision arising from this to the Financial regulations, then the document will be brought back to Audit Committee for agreement/recommendation. Assurance was also provided that going forward, compliance with all aspects of the financial regulations will be followed and Governors would be kept informed of any breaches.

ACTION: Elaine French

Finally, it was noted that there may be other changes to the document from time to time owing to for example Data Protection/GDPR reference and to issues relating to EU procurement etc following Brexit.

- e) **GDPR** – Refer above. It was suggested by a member of the Audit Committee that reference should be made to the Data Protection Act rather than GDPR going forward.

- f) **Critical Incident Plan Update** – Refer earlier discussions above.

10. Date of Next Meeting

Referring to the discussions held earlier, it was noted that the **16th March Meeting – at 9.00 a.m.** (or a meeting deferred until **23rd March – 9.00 a.m.**) would only take place if there was urgent business to discuss and that should a decision be needed regarding the appointment of the new Internal Auditors, then a brief 1 item agenda meeting could be held immediately prior to Corporation on 31st March 2021, or written resolutions could be circulated for signing/agreement, or on line brief Audit Committee meeting with 1 item agenda could be convened. It was agreed that the Committee members should keep both the above dates in their diaries for the timebeing. **ACTION: Audit Committee/SLT**

11. Any Other Business

There was no other business and it was noted that the Committee terms of reference had been included for information and reference purposes.

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

Louise Pennington 19/01/21