

VARNDEAN COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON TUESDAY 21st JUNE 2022 AT 10.15 A.M, IN THE PRINCIPAL'S OFFICE

Present: Richard Seager, Alan Walker (Chair), Brendan Ward

In Attendance: Elaine French (Vice-Principal Resources), Donna-Marie Janson (Principal), Louise Pennington, Neil Clark (in the absence of Scott McCready, Internal Auditor Wylie and Bisset) – until the end of item 6.

Apologies: Paul Herridge and James Gordon (Deputy Principal) – owing to Staff interviews.

Welcomes: None

In the Chair: Alan Walker

The meeting was quorate.

Neil Clark (Wylie & Bisset) joined the meeting online.

1. Apologies for Absence and Welcomes

As above.

2. Declaration of Interests

None.

3. Minutes of the Meeting held on 15th March 2022

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

ACTION: Louise Pennington

4. Matters Arising

a) Action Points

Following a question from the Chair, Elaine French confirmed that the majority of the actions due to be completed by this meeting, had been completed or were on the agenda, noting:

Critical Incident Plan – action to be carried forward owing to issues arising with establishing scenario testing for SLT; a new external contact to lead on this will be taking this forward in the Autumn Term 2022.

b) Rolling Action Plan – financial statements audit and internal assurance

The Committee noted the contents of the rolling action plan which Elaine French introduced and the following updates and explanations were recorded:

- Noted the points which had been completed including the financial statements audit action relating to the cheques' write back.
- Review content of electronic learner files – in progress; this was reviewed as part of the audit follow up (refer later internal audit item), with some work still to be completed. It was reported that following the restructuring of some Support Area Departments, it was intended that the new MIS Director, once appointed, will be asked to take this action forward wef August 2022.
- IT Disaster Recovery Plan – in progress and will be reviewed in follow up audit next year.
- IT penetration testing – all scheduled and completed and due to be reviewed by internal auditors within their follow up exercise next year.
- GDPR – in progress and refer internal audit report below.

The Committee noted that all the other points listed were being dealt with or had been done and that each point would be reviewed by the Internal Audit at the next “follow up” audit.

5. New Internal Auditors:

Neil Clark, Wylie & Bisset Internal Auditor, was introduced to the Committee and noting that he was standing in for Scott McCready, who was unwell. He presented the various internal audit reports to the Committee and it was noted that item a) would be considered by the Committee at the end of item 6) once Neil Clark had completed his presentation and had left the meeting.

a) Setting Performance Indicators

In response to a question from the Committee, Elaine French agreed to review the College's performance indicators template and present these to the next Meeting, with her suggestions reflecting the internal auditors performance to date. **ACTION: Elaine French**

Wylie & Bisset's own performance indicators were also noted, as detailed within their Strategy Document.

The Committee agreed that the auditors should be invited to attend on site at one meeting per year and Elaine French agreed to organise this. **ACTION: Elaine French**

b) Assurance Strategy and Plan 2022-2023

Neil Clark highlighted the following points:

- 2nd year of appointment by the College and last year was based on 18 days' work (taking into account additional time for completing the funding review), whilst next year will be 12 days.
- 3 main reviews planned – procurement, funding review, and corporate governance, with 3 days required for each. Regarding the corporate governance audit, it was agreed to share the new EBR (external board review) guidance issued by the DfE so that the audit work could take this into account to ensure that the Governing Body was prepared for the EBR in the next 2 or 3 years. **ACTION: Louise Pennington/Elaine French/Wylie & Bisset**
- In response to a question from the Committee regarding the areas selected for audit in the next year, it was confirmed that the process was based upon initial assessment at the start of the audit 3 year planning cycle, which was reviewed and updated annually at the Summer Term Audit Committee, noting that there was flexibility to

revise the Plan depending upon a change in requirements, review of risk etc Neil Clark also reported that as part of their initial work after appointment, the auditors review and assess the College's risk register to identify key areas which may benefit from an audit.

Noting the points made above, the Plan was approved and recommended to Corporation. **ACTION: Elaine French/Wylie & Bisset.**

6. Internal Audit Reports

Neil Clark presented the following Internal Audit reports, highlighting various points as recorded below, followed by questions from the Committee.

- It was agreed that all Governors should be reminded of the level of assurance provided by the internal audit work, and the associated caveats, noting that there was a limitation on the work carried out by the auditors as set out and agreed in the Strategy Plan etc, and following the audit that a level or assurance is provided related to the work specification together with the auditors' opinion. **ACTION: Chair of Audit Committee**

a) Financial Controls

The contents of the Report were noted and the following comments made:

- Strong assurance overall, based on 3 main objectives, namely effective procedures in place, adequate management and clear segregation of duties.
- On this type of review, the auditors looked at high level financial controls on funding income, other income, purchases, credit cards, petty cash, BACs payments, bank reconciliations, fixed assets, VAT and pay roll.
- From the Executive Summary the details regarding the number of financial regulations and procedures in place, were noted.
- Procedures for recording income, purchases and payroll were deemed to be particularly good
- 6 good practices were included in the report for noting.
- There were no recommendations for the College to action which the auditor reported was unusual within the sector, where there were usually at least 2 recommendations generated; hence the College can be congratulated on having strong financial controls in place and operating.
- In response to a question from the Committee regarding the average sample size used by the Audit team, Neil Clark explained that firstly a review of all the SFA income in year was audited to check that it was correctly recorded and this was reconciled through the bank statements; on purchases, 10 purchase orders are traced through to payments and bank reconciliations too. Likewise, the same sample size for payroll processing (over a period of a few months).
- Referring to purchases, following a question from Governors, Neil Clark confirmed that as this was a high level review, the audit team only ensured that the proper processes had been followed and that the various orders had been properly authorised.
- Next year when the procurement review is undertaken in the internal audit process, as this relates to public money, checks will be made to ensure the procurement procedures have been followed are value for money (as per the financial regulations, regarding quotes, procurement framework followed etc). Neil Clark also explained

that with regard to value for money, this was a factor for consideration in their audit work, but on the whole specific value for money audits were based upon client requests for specific areas of business such as catering, cleaning etc. Regarding value for money in general, the Committee Members referred to the requirement for the Audit Committee to give assurance that value for money has been achieved and Neil Clark reiterated that this was considered by the internal auditors in years when needed as a specific area for audit requirement, but in terms of this year, the auditors have confirmed that procedures have been followed and in effect that this demonstrates that value for money was achieved eg in terms of purchase orders/seeking quotations as per financial regulations etc. He also confirmed that regarding the funding review completed, this had a value for money element as the audit work includes a review of cut off dates, that claims are made where funding is eligible and that there is no potential for over claiming etc. Finally, Neil Clark advised that the value for money aspects were not including as explicit objectives in the internal audit overview, but that reference to value for money would be included in the Executive Summary.

- The fixed asset register was audited and confirmed that it was up to date. In response to a question from the Committee, it was confirmed that the audit did not include a physical check of the assets. It was noted that on request a more specific internal audit could be completed entailing a physical audit of fixed assets, in which case aspects such as asset tagging, location, depreciation aspects of a sample of fixed assets would be carried out. However, Elaine French advised that the External Auditors did carry out physical checks on a sample of assets every year.
- Referring to the audit and tracking of purchase orders, in response to a question from the Committee, Neil Hamilton agreed to e mail the details of the audit criteria to Elaine French, in due course, so that it could be circulated to the Committee. However, it was reported that the usual process would be to select a range of purchase orders based on the authorisation purchase tier stages, as set out in the financial regulations, with a sample being taken from each level. **ACTION: Neil Clark/Elaine French**

Thanks were recorded to the auditors and the Finance Team for their work during this audit.

b) GDPR

The contents of the internal audit report were noted by the Committee, with the key points and outcomes highlighted by Neil Clark. The following points were recorded:

- Strong overall assurance.
- The audit incorporated a review which focused upon 4 to 5 main objectives including whether data was held in line with GDPR, appropriate procedures in place, processes for addressing areas of non-compliance and systems for management reporting.
- The College has a Data Protection Policy, a Data Retention Policy and Data Sharing Agreement in place, together with an action plan, which is monitored throughout the year to ensure going compliance.
- The College's training records show that GDPR training has been provided but a low grade recommendation has been advised by the auditors (regarding specific training on data breaches and subject access requests), together with another low level recommendation in respect of Reporting practices.
- There are a number of good practice areas noted in the audit report and a total of 5 low grade recommendations recorded for the College to take forward, in addition to

the recommendations already noted above, included further improvements to the action plan regarding adding a timeframe for completion and responsibility columns; to introduce data sharing agreements; extend the existing Management GDPR reporting to Corporation level via an annual report; and the legitimate interest assessment, should be reviewed regularly.

- The internal auditor confirmed that a good level of GDPR effectiveness, was in place which put the College in a position which compared well to other Colleges in the sector.
- In response to a question from the Committee it was noted that the two policies (Data Protection and Data Retention), were over due their review, but that these were currently in progress. **ACTION: Elaine French**
- Elaine French confirmed that Staff Training, including GDPR, was recorded in the College's Staff Training records. Any outstanding GDPR Staff training will be included within the future annual report to Corporation, along with the GDPR Plan. The current GDPR training is being rolled out on a team by team basis, which is easier to manage, compared to a whole Staff training session.
- From a Governors' perspective, the Committee was informed that a reminder relating to Governors GDPR responsibilities were included in the annual start of year letter and she agreed to include links in future to the GDPR documentation which Governors were provided with, when the new legislation was first introduced. **ACTION: Louise Pennington**

c) Follow Up

Neil Clark highlighted the key points including:

- 2 recommendations last year arising from the Learner Records audit work and in particular drew the Committee's attention to the fact that the recommendation to have the appropriate policy and procedures in place remained outstanding, but was due to be completed later this year. **ACTION: Elaine French**
- Adult Education files – during the review last year it was noted by the auditors that there was an inconsistent approach to records within the files and it was noted that the work to rectify this was underway but not yet completed.
- 2 recommendations brought forward from 2020 regarding the IT Security Policy, both of which had been implemented.
- Funding review audit – the internal auditors will review progress this week and liaising with Martin Bentley (IT) and Elaine French, to check progress.
- In response to a question from the Committee, Neil Clark confirmed that the auditors always followed up every recommendation/action required to determine progress with the implementation recommendation and that the action will roll forward on a year by year basis, until completed and signed off by the auditors. Occasionally, actions are superceded by other changes, resulting in some recommended actions no longer being necessary, but this would also be recorded in the follow up audit.
- Adult Education income (approximately £149K) was discussed, noting that should any funding for this area be subject to clawback (ie fewer student numbers enrolling on a course) this would only take place, if it hadn't been utilised sufficiently, subject to a DfE imposed tolerance level. Elaine French advised that there was no provision for clawback in the budget/forecast, based on the College's history, never having had clawback imposed (the DfE's tolerance level has not yet been confirmed but noting that there has been no clawback for some years).

The Audit Committee thanked the Auditors for their work noting that the Reports would be included in the Corporation meeting papers. The Committee acknowledged the assurance gained from the internal audit work to both SLT and Governors.

Neil Clark was thanked for his input and left the meeting.

At this point, Elaine French confirmed that despite some initial reservations from the Committee regarding the distant/remote internal audit arrangements, the process had in fact worked very well and was a positive experience for all Staff involved, noting the auditors sophisticated portal for exchange information.

7. a) External Auditors' Reappointment and Remuneration (note – performance indicators were completed at March 2022 Meeting)

Reference was made to the audit plan and fee proposal considered at an earlier meeting and Elaine French advised that the fee structure was very reasonable and good value for money, when compared to the average fee charged in the sector and was based on the College's long standing relationship with Mazars. The 3 % increase in costs was noted and that this took into account the additional work required in the sector regarding external audit work on the financial statements and regularity audit, as per the latest funding guidelines.

The Committee noted the good working relationship between Elaine French and the Finance Team and the Mazars main contacts – Nicola Wakefield and Cara Bushell.

In light of the new Audit Code of Practice (enclosed with the meeting papers) Elaine French confirmed that there would be no additional audit work required other than that already included in the Plan.

The Committee agreed that the External Auditors should be reappointed for another year and at the remuneration set out in the Plan. **ACTION: Elaine French**

b) External Audit Strategy and Memorandum/Plan

The contents of the above documents were recommended to Corporation for approval. **ACTION: Elaine French**

8. Risk Management

a) Risk Register/Risk Management Action Plan

The comments shared by e mail with the Chair and Vice-Principal with reference to risk MA7 Cyber Security (why has the mitigation risk score not changed?) and HR1 were discussed and Elaine French advised that she had met with the College's IT Department Cyber operational expert (Dan Harman), following which SLT had thought that the mitigation could only have partial impact and it wouldn't be able remove the risk completely, hence it was thought that the risk score post mitigation, should remain the same. At this point Elaine French reported on a recent IT issue, whereby one of the College's Library computers (used by Students) was compromised owing to a vulnerability generated by Windows operating systems and that this was a global issue which Microsoft had not yet actioned. One College computer had been compromised as a result of this vulnerability, but it was identified immediately owing to the College's systems in place and was contained and no consequential issues have been identified. In the meantime, Microsoft have issued a patch to avoid further problems. At this point the Committee questioned whether if the risk remains the same post mitigation, are the mitigations sufficient and could any other action

be taken to improve the risk score. Elaine French reported that the College had implemented actions to mitigate the risk and probably more than many other Colleges, owing to the College's inhouse expertise within the IT Department and it was agreed that it was difficult to mitigate this ever-changing cyber risk, any further than the actions already taken.

Regarding HR1 (refer page 122) – inability to fill Staff roles – Elaine French advised that the risk score had remained the same post mitigation owing to external factors within the current job market and she confirmed that it was more difficult at the moment to fill some vacancies, compared to pre-Covid times; hence SLT recommended that the risk should remain as a medium risk which the Committee endorsed.

Following a request from the Chair, Elaine French agreed to respond to Paul Herridge's e mail question as he wasn't present at today's meeting. **ACTION: Elaine French**

Other questions from the Committee:

- Referring to the discussion regarding risk HR1 above, following a suggestion from the Committee, Elaine French agreed to add some further explanation and context for why the risk remains as a medium risk within the planned action column, to aid Governors' understanding. **ACTION: Elaine French**
- The Committee queried whether all risks were covered and it was highlighted that although there was no guarantee that all risks were accounted for in the Risk Register, the College did consider and review emerging and potential risks, based upon knowledge and expertise within the College, via the audit advice and from the overall FE sector. Reference was also made to the risk related Policy and procedures in place and that Governors were also reliant on assurances provided by SLT and the College's auditors and that risk matters were reported termly to Corporation. Corporation is therefore given an opportunity to question and potentially identify any new risks which SLT and the Audit Committee could consider. It was also noted that the key risks were included after the Matters Arising actions' schedule at Corporation meetings and it was agreed that the Chair should be asked to draw attention to these (add sub-item on agenda) to enable Governors to raise any issues and suggestions, prior to moving on to the main business of the meeting.

ACTION: Chair

Elaine French also highlighted that the Finance Committee did consider finance related risks within their meeting papers, discussions and decision making and that any issues identified, were incorporated into the Risk Register.

- P6 (Construction works – health and safety) – The Committee queried the focus upon health and safety risks and questioned why finance risks were not included, and Elaine French that these were generated as and when a capital project was initiated in terms of timing, quality and costings etc and that this would be brought to Governors when needed and added into the Risk Register at that time. It was also noted that any project always included a detailed project risk assessment and register specific to the works planned. In order to be clear for the current situation, Elaine French agreed to add further explanatory wording to P6 to reflect that this risk currently related to maintenance/minor works carried out on an annual basis.

ACTION: Elaine French

- MA13 (Pandemic) – Governors queried whether this related to the current pandemic and Elaine French referred to a previous meeting at which it had been decided to

make this a generic risk, so she agreed to make this explicit in the explanatory wording. **ACTION: Elaine French**

- Risk Register – 4 rating categories: The Committee asked for feedback on the move to this arrangement and comparisons with a 5 rating provision. In response Elaine French advised that the new process worked well for everyone involved in risk at the College and avoided any unnecessary additional complications in terms of interpretation etc. She confirmed that this new classification would be kept under review.

b) Corporation Assurance Framework Map

This was recommended for approval by the Committee. **ACTION: Elaine French**

9. Preparation of Financial Statements' Audit 2022 - Refer External Audit Plan discussed above.

10. Policies and Other Documents

a) IT Security Policy

Noting the earlier version considered at the last meeting and the subsequent revisions to the Policy wording, the latest version was approved and recommended to Corporation, subject to including a section at the end of the Policy entitled "Related Documents" to provide a reference point of other related policies to which reference may need to be made, particularly with regard to the College's financial regulations. **ACTION: Elaine French**

b) Risk Management Policy

Reference was made to the last meeting and e mailed follow up amongst the members with Elaine French and the consequential additional amendments required to the policy.

At this point the Chair referred to feedback emailed to the Chair and Vice-Principal in respect of old terminology ("significant risk") and Elaine French confirmed that this error had been amended.

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

11. Fraud Report

Elaine French confirmed that there were no incidents of fraud to report.

The Committee briefly discussed the financial controls audit report above and Elaine French confirmed that the College required a minimum of 2 people to authorise any payment/expenses.

12. Annual Self-Assessment of Committee including Review of Committee Terms of Reference

The Committee reviewed the list of questions and there were no issues identified which needed addressing.

No training needs were identified by the Committee Members and it was also resolved that there were no changes required to the Committee terms of reference.

13. Date of Next Meeting – TBA, with a start time to be 10.15 a.m.

14. Any Other Business

Reference was made to the latest versions of the key reference documents for audit purposes including the Audit Code of Practice and the Accounts Direction and a brief summary was provided.

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

Louise Pennington 21/06/22