

VARNDEAN COLLEGE

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON

THURSDAY 28th November 2024 at 10.15 am, held in the Principal's Office

Present – Paul Herridge (Chair), John O’Sullivan, Alan Walker, Brendan Ward.

In Attendance - Elaine French (Vice-Principal Resources), Donna-Marie Janson (Principal), Jill Arnold (Chair of Governors) – for the External Audit Items (for Corporation assurance purposes), Andrew Thompson for Scott McCready (Wylie & Bisset – Internal Auditors) – via G Meets, Helen Knowles – Audit Partner (Mazars – External Auditors) – via G. Meets

Sarah Dunsmore (Director of MIS and Registry) to attend the meeting for item 13 b) Disaster Recovery Plan and 13 c) Digital Strategy Document

It was resolved to take the External Audit items (Item 3) first after Item 1 and 2, so that the Chair of Governors may then leave the meeting. After the External Audit, the item “Committee Members to have opportunity to meet with auditors in the absence of College Management” would be held, after which the External Auditor may leave the meeting. This would then be followed by the Internal Audit items (item 5) after which the Internal Auditor would then leave the meeting.

It was noted and agreed that the standing items – Minutes, Matters arising etc, would follow the External and Internal Audit Items to enable the auditors to leave after their items.

1. Apologies and Welcomes:

Apologies: Danyalle Brinsmead, Louise Pennington

The Committee was quorate.

The order of the agenda as proposed was agreed by the Committee.

It was also agreed that a recording of the meeting would be taken for the minutes.

2. Declaration of interests – none

- **Annual Report and Financial Statements – Executive Summary**
- **Draft Financial Statements July 2024 – included for information/reference (Finance Committee will be reviewing and recommended the AR and FS to Corporation)**
- **Audit Completion Report July 2024**
- **Regularity Audit Self-Assessment Questionnaire July 2024 (supports the Regularity Audit Statement)**
- **Letters of Representation (supports Financial Statements and Regularity Audit July 2024)**
- **Governance aspects – input from EAs/questions from Committee**

Helen Knowles (Audit Partner taking over from Nicola Wakefield) presented the various items above and the following points were recorded:

- **Audit Completion Report** – highlighted key findings and conclusions from the external audit which had gone smoothly to date and was substantially complete. Thanks were recorded to Elaine French and her team.
- The outstanding aspects are the final checks on the various statements, together with the remaining going concern audit work required up to the date of signing the accounts – Corporation Meeting on 11th December.
- There were no issues arising from the going concern aspects of the audit and currently based on the audit work to date, means that it's anticipated that an unqualified audit opinion will be given.
- There have been no changes to the auditors' approach or materiality levels, than those already recorded in the Audit Strategic Memorandum.
- Significant risks – revenue recognition, management override and pensions – audit work in these areas have been completed and no issues were identified to bring to Governors' attention.
- No control deficiencies were identified or issues arising from adjusted/unadjusted statements.
- In conclusion a clean audit was confirmed.

Questions from the Committee:

- Page 9 reconciliation and trial balance difference and recommendation from auditors' regarding adjustments: The Committee queried the management response to this. Elaine French confirmed that she had advised the auditors 2 days ago that where the College had a surplus on the pension provision, it is not shown in the financial statements, but in the recent past it was recommended that the accounts continue to show this in the trial balance as a surplus, although this is not shown in the financial statements, as it is not classed as an asset. In light of the difficulty this year in reconciling the trial balance reserve within the financial statements, Mazars have recommended that the previous method should be followed whereby this is not shown in the trial balance, to avoid any confusion. It was therefore confirmed that the Management Response endorsed the auditors' recommendation.
- Mazars confirmed that the audit work would be completed prior to the Corporation meeting on 11th December. Regarding the various outstanding audit aspects, it was noted that this included the final audit work on "going concern".
- Regarding the completion of the audit work in future, it was agreed that the aim for next year would be to ensure that it was all signed off before the Audit Committee and in this regard, internal deadlines would be established, along with bringing the Audit visit and follow up work forward in the term to provide sufficient time for this sign off. **ACTION: Elaine French/Mazars**
- Mazars confirmed that during their external audit work, account was taken of the internal auditors' audit work too in line with the auditing standards but noting that external auditors were unable to place the same reliance on this since the auditing standards were revised a few years ago. Accordingly, the external auditors also include any additional work as appropriate to gain assurance that the College's internal controls are in place.
- **Draft Financial Statements to end July 2024** – The Finance Committee has reviewed and recommended these to Corporation for approval (and signing) and these have been included in the Audit papers for information/reference purposes. Elaine French confirmed that the content of both the Annual Report and financial statements had been reviewed in detail including identifying various typographical errors.

- The Management Accounts will also be presented to Corporation, having been considered at the Finance Committee meeting too.
- Referring to a question regarding “the opinion of Governors and compliance with the AoC Code of Good Governance, it was resolved to revise the reference to “majority of the Code” to read “complied with the Code”. **ACTION: Elaine French**
- It was confirmed to the Committee that the Principal may not be a member of the Audit Committee, but may attend meetings – reference was also made to the Committee’s terms of reference which reflects this too.
- Noting Ruth King’s resignation at the end of October 2024, it was noted that as the Members’ statement includes details of Governors during the year to 31st July 2024, her details should remain in the Members’ Statement, which Mazars agreed.
- **Regularity Audit Self-Assessment Questionnaire July 2024 (supports the Regularity Audit Statement):** The document which is drafted by Elaine French and Louise Pennington is used by the auditors to provide assurances in completing their regularity audit work. The External auditor confirmed a clean and unqualified audit outcome.
- **Letters of Representation (supports Financial Statements and Regularity Audit July 2024):** recommended to Corporation for approval and to be signed once approved.
- **Governance aspects – input from EAs/questions from Committee –** no further questions were raised at this point.

The various documents listed above, were recommended to Corporation for approval. **ACTION: Elaine French/Chair**

At this point Helen Knowles and her colleagues were thanked for their audit work and Jill Arnold, Chair of Governors, left the meeting.

3. Committee Members to have opportunity to meet with auditors in the absence of College Management to raise issues/questions on audit work

Donna-Marie Janson and Elaine French left the meeting for this item and the Chair thanked both Auditors and their teams for the audit work completed.

The following matters were discussed:

- Helen Knowles advised that from an external audit perspective the audit had run smoothly with a good relationship with the Finance Team and good quality information provided promptly. No concerns were reported on behalf of the External Auditors.
- Andrew Thompson (Internal Auditors) confirmed that he and the team endorsed the external auditors’ responses above, with no issues or concerns arising from the Internal Auditors.
- The Committee queried the management 15 day agreed response time noting that sometimes there was slippage and asked whether this was a concern from the auditors’ perspective. The expectation that the time frame agreed, should be met was agreed with the auditors who would action this. **ACTION: Auditors**
- Regarding the follow up audit recommendations it was noted that only 1 of the 8 had been fully actioned, some having been rated high to medium and some were older recommendations. The Committee queried whether this was of concern to the auditors. In response the internal

auditors advised that they would like to see implementation asap and at the latest before the next year's follow up audit. The auditor agreed to feed this back to Scott McCready.

ACTION: Internal Auditor

- The delayed Procurement Policy and Staff training action from 2023 was discussed and the Committee queried whether this was a significant issue. In response it was noted that the revised Policy and then Staff Training would commence in the Spring Term 2025, with an update reported to the next Audit Committee. The high risk score attached to the Procurement Process and Strategy was also raised regarding the residual risk and action take and in response it was noted that the implementation date was December 2024 and a follow up review would be carried out next year.
- Finance Team capacity – this was discussed and also the pressure and high workload on this Department was recognised by the auditors from their work, although the information provided and timely responses overall was highlighted too. It was also noted that next year the external audit would be set earlier in the year, to ease the pressure on the Team during a busy term.

Thanks were recorded to the auditors for their input, after which Helen Knowles, Mazars, left the meeting.

At this point the Principal and Vice-Principal re-joined the meeting.

4. Internal Audit

a) Internal Audit Strategy and Plan

b) Internal Audit Annual Report

c) Internal Audit Reports:

- i) Learner Numbers & Funding Review**
- ii) Risk Management**
- iii) Follow Up**

Andrew Thompson presented the Internal Audit reports and Strategy & Plan to the Committee, the contents of which were taken as read and he highlighting the following aspects, with questions invited from the Committee:

24/25 Strategy & Plan

- page 8 confirms similarities to last year regarding the number of audit days and the timing of the 2 visits (January and June).
- It was confirmed that the audit areas were agreed with the Management in the initial audit visits, noting that some areas were identified from the key risks within the risk register and guidance indicated by the DfE such as the funding review audit. Regarding the decision to audit the bursary and free school meals area, Elaine French advised that this had been a sector wide focus over the last 12 months with various issues raised by the ESFA in terms of the associated funding and management by Colleges to ensure that all Colleges were utilising the funds appropriately and within the FE guidelines. It was suggested by the Committee that in the narrative or front sheet, the rationale regarding internal audit areas selected, to provide further explanation and context where appropriate, which would help Governors understand the relevance and criteria. **ACTION: ELF/Internal Auditors**

Internal Audit Annual Report:

- Key points recorded on page 4 with overall audit opinions provided based upon the work undertaken.

- Adequate governance processes in place and arrived at this decision having reviewed controls, reports and procedures together with discussions held with the Team.
- Page 6 overview of reviews undertaken this year – substantial assurance, based on audit work as recorded above.
- Page 7 and 8 highlights any outstanding points
- Page 10 overall benchmarking analysis (comparisons with other audit reviews carried out by the auditors) for similar sized organisations. The Committee queried the fact that there were fewer recommendations for Varndean College in comparison to the other Colleges and the auditor confirmed that a judgement was made based on the same audit methodology followed by the auditors in their audit work. Elaine French also confirmed that challenging but constructive conversations were held between management and the auditors during the audit process.
 - Page 12 KPIs for the year – noting in some instances management response times exceeding the 15 working days agreed. At this point, reference was also made to the Finance Team capacity issues and the impact on response times to audit requests for information and whether this was of concern to the auditors bearing in mind there were only 2 audit visits per year and few recommendations (refer earlier minuted discussion too). It was also noted that workload management was being reviewed within the Finance Team to enable compliance with the 15 day response time in future, recognising that this was the standard for the sector.

Individual reports:

- c) **Internal Audit Reports:**
- ci) **Learner Numbers & Funding Review**
- cii) **Risk Management**
- ciii) **Follow Up**

Summary of key points in Reports:

- Page 2 to 6 outline and purpose of review, together with general controls and other background information etc
 - Page 7 – conclusions – strong overall outcomes based on the audit work completed including risk management which had strong processes and controls in place. It was also noted that Management had agreed to the recommendation regarding the addition of risk appetite per risk details within the Risk Register and to ensure that the risk appetite aligns with each risk. A discussion was also held regarding the audit observation on page 14 and comparisons with the auditors' client base risk scoring matrix the majority of whom have implemented the 5 x 5 matrix, whilst the College has a 4 x 4 matrix, reflecting the number of risks in the register; it was noted that this would be kept under review. **ACTION: Elaine French**
 - In response to a question raised by the Committee regarding risk appetite definition, Andrew Thompson agreed to share information and examples regarding this, plus good practice aspects, noting that once reviewed, an additional column for risk appetite would be added to the Risk Register. **ACTION: Andrew Thompson/Elaine French/Audit Committee**
 - It was confirmed that the Annual Report on Risk Management was presented to Corporation after the Audit Committee had reviewed/approved it.
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- Page 9 – outline good practice experienced at College and areas working effectively.
 - Page 11 – summary and benchmarking.
 - Page 12 – retention of documents and sample testing of 15 Learners' agreements. 1 issue identified within the sample taken which management has accepted.

- Reference was made to the 17 areas of good practice within the Learner numbers' audit and Andrew Thompson confirmed that this reflected the strong processes and controls in place at the College.
- Follow up audit report – substantial assurance provided in conclusion, noting that 6 of the recommendations had been partially implemented and 1 fully implement. Some of the recommendations related to last year's audit and others from previous years, but not all yet implemented. Regarding the outstanding procurement policy and associated staff training, the Committee was reminded that this would be actioned by management in January 2025.
- It was also suggested that further details included in the narrative would be useful for the Committee regarding the timeframe for implementation of an action, adjustments made where actions have been revised or no longer needed, together with a note of which department is due to provide necessary action eg Finance, HR etc; it was also recorded that this was including in the rolling action plan, but additional information as requested would be included going forward. **ACTION: Internal Auditors/Elaine French**

Thanks were recorded to Andrew Thompson, who then left the meeting.

5. Minutes of the Meeting on 13th June 2024

The minutes were approved and the Chair authorised to sign these, subject to one amendment detailed below, which was corrected in the version to be signed.: **ACTION: Chair/LEP**

- Page 3: It was confirmed that the meeting between Sarah Dunsmore and Jodie Braham had taken place.
- Page 4: reappointment/remuneration details in respect of External Auditors (Mazars) to be added to the minutes, noting also that the College was going out to tender for the external auditors in January 2025. **ACTION: Elaine French**
- Page 6: reference was made to the cyber security proposed review of whether to include this in the next Internal Audit plan and it was noted that this would be discussed with Wylie Bisset in May/June 2025, post the review of their contract proposal for their reappointment as internal auditors. **ACTION: Elaine French**
- Reference was also made to a discussion held in the Summer term Governing Body meeting about the option to pause internal audit for 1 year, subject to a review of risk and other consequences. It was agreed by the Audit Committee that they strongly recommend continuing with Internal Audit, in recognition of its value to governors, and also noting the impact on the External Audit work and associated costs, should an internal audit not take place. It was agreed to provide feedback on this to Corporation. **ACTION: Paul Herridge/Elaine French**

Subject to the above points, the Minutes were approved by the Committee and the Chair authorised to sign these. **ACTION: Paul Herridge/Louise Pennington**

6. Matters Arising

a) Action Points – Progress Report

The Committee considered the various actions on the schedule, noting those which had been completed and would be removed going forward and others which were on the agenda.

As requested at the last meeting, all actions including housekeeping changes etc have been added to the Actions' Schedule. It was also noted that within the Actions Excel Schedule, there were other pages which will include past actions which had since been completed, to provide a detailed historical log for reference purposes, as also requested at the last meeting.

The outstanding actions were discussed as recorded below:

- The Committee agreed that as there were lots of actions, particularly some which were over a year old, that all actions should be reviewed, unnecessary actions removed from the schedule, with a focus upon key essential actions for the Finance Team to focus upon; where actions are over a year old, these should be either deleted or re-scheduled. **ACTION: Elaine French**
- It was also noted that there was some duplication between the actions from the minutes schedule and the rolling action plan (Internal and External Audit Actions), which should also be revised to include the IA and EA actions only within the rolling action plan. Elaine French agreed to review this and update the 2 documents. **ACTION: Elaine French**
- Of the 29 actions listed in the current schedule, 10 had been completed, 7 were on today's meeting agenda and 12 were outstanding. Taking into account the recommendation made above, it was resolved that the outstanding actions should be revised to determine whether they were all still relevant, delete those which were no longer necessary and set a deadline for those still to be completed. **ACTION: Elaine French/Louise Pennington**
- Line 21 risk appetite statement – remove action as taken to Finance Committee November 2024 Meeting. **ACTION: Louise Pennington**
- Once an action has been completed, it was confirmed that this would be recorded as "done" and then for the following meeting, taken off the actions' schedule, and transferred to the record of completed actions.
- Action 7a) self-assessment - done.
- Action 7b nothing further to add re earlier discussion – update action.
- It was also agreed to revise the progress column with details of progress underway, completed or alternatively "overdue", "not implemented" etc. **ACTION: Elaine French/Louise Pennington**
- Other suggestions for revising the schedule included – streamline action wording to remove any duplication, making it easier to monitor and link references between relevant actions where appropriate and include in chronological order (newest at the top). **ACTION: Elaine French/Louise Pennington**

The progress and proposals detailed above were noted and agreed and that the schedule would be updated for the next meeting.

b) Rolling Action Plan – Update on Internal and External Audit Recommendations

As reported above Elaine French will review both a) and b) and ensure that there is no duplication of action records, together with taking forward the various other changes proposed. **ACTION: Elaine French**

7. Annual Report of the Audit Committee

The contents of the Audit Committee Annual Report were reviewed and recommended to Corporation for approval, subject to the following amendments:

Regarding the discussion held earlier relating to the Risk Register 4 x 4 matrix and option to move to a 5 x 5 matrix, based on the number of risks, it was resolved to make reference to this in the next Annual Report of the Audit Committee. **ACTION: Louise Pennington**

ACTION: Louise Pennington

8. Risk Management – including various updates from last Meeting

- a) Annual Report**
- b) Assurance Map**
- c) Risk Register 2024-2025 (note merged with Risk Management Action Plan in 2020/2021 academic year).**

Elaine French presented the Risk Management documents to the Committee and the following points were discussed:

- reference was made to the earlier discussion held regarding the Risk Register 4 x 4 matrix.
- Annual Report similar to last year with a revision to the paragraph at the end of the Report on issues arising during 2023/2024.
- In response to a suggestion from the Committee it was resolved to add a summary of the number of high risks, together with a note of the overall numbers of risks and category (high, medium, low). **ACTION: Elaine French**
- The Committee discussed risk appetite and relationship with whether this is reflected in the impact of the internal control mechanisms being effective in reducing risk and it was suggested that this could be reviewed at the next meeting. **ACTION: Elaine French**
- Referring to the assurance map and risk ME13 on page 4 – noting that this was recommended to be removed from the Risk Register owing to its low risk which was agreed by the Committee, noting that this risk would be transferred to the archived management records. **ACTION: Elaine French**
- In response to a question regarding HR2 Staff morale, the Principal confirmed that a regular Staffing report was presented to Corporation and it was agreed that reference to the risk register should be added to future reports. **ACTION: Donna-Marie Janson**

Subject to the points made above, the Committee recommended the Reports to Corporation for approval. **ACTION: ELF**

9. Internal Auditors' Performance Indicators

The Internal Auditors' Performance Indicators were considered by the Committee and the following points recorded:

The performance indicators as revised, were recommended to Corporation for approval. **ACTION: ELF**

10. Reappointment and Remuneration of Internal Auditors – To be transferred to Summer Term Agenda. ACTION: Elaine French

11. External Audit Tender Process and Timeline

Elaine French reported on the External Audit tender process and proposed timeline as follows:

- Process will be initiated in January 2025 using CPC (Crescent Purchasing Consortium) framework which will send out invitations to all auditors on the framework, to provide proposals and fee details.
- Tender selection panel will involve Governors as per the financial regulations etc, and the format will depend upon the number of submissions received so would either be a panel meeting or a presentation directly to the Audit Committee. Should there be a tender board, it was agreed that in addition to Elaine French, Alan Walker and Brendan Ward would be available to participate in this. The Tender Board would then make recommendations to the Audit Committee. **ACTION: Elaine French/Alan Walker/Brendan Ward**

12. Policies and Other Documents

a) Financial Regulations – to review audit aspects (recommendation from Finance Committee/Corporation – Summer Term 2024)

The Committee was reminded that the Finance Committee had reviewed the regulations in June 2024 and had recommended that the Audit Committee should be invited to review the document from an audit perspective, focusing upon the various approval limits included. Elaine French also explained the more recent updates which had been approved at the recent Finance Committee including the revision to authorise the Finance Manager to approve electronic payments on the College's bank system, processed within the Finance Team of up to £25K; the various internal controls were also highlighted and noted, including the approvals required per invoice by the budget holder etc. Payments of £25K and above, have to be authorised by the Principal.

The Committee endorsed the document. **ACTION: Elaine French**

At this point Sarah Dunsmore (Director of MIS and Registry) joined the meeting to present item b) IT Disaster Recovery Plan and item c) Digital Strategy Documents, following by questions from the Committee, after which she left the meeting.

Item c) Digital Strategy Document

A brief overview of the document and remit was provided to the Committee and links to the Strategic Plan and account taken of the Government guidelines. The Committee noted the contents of the document including the addendum (digital strategy roadmap) and the following was recorded:

- details in document are subject to the technology available, existing infrastructure and must be accessible to all.
- Reliance upon upskilling iro Staff and Students.
- focus on collaborative approach, cyber security, efficiency and sustainability
- noting the focus upon being "future aware" rather than "future proof".
- Security measures are monitored and updated regularly.
- Digital Strategy Group has been established comprising IT, Heads of School and SLT representation.
- Funding – kept under review but reflects limitations within the sector. The Committee queried funding limitations and despite the financial constraints within the sector, various savings have been implemented including a move to BYOD, change in leasing/purchasing equipment, reduction in number of servers required (and associated reduction in electricity usage), a

move to cloud storage, taking advantage of Microsoft sonic wall – being part of the College's Microsoft package, and a greater focus on hardware recycling including liaison with printer company on their disposal policy etc (currently have 8 servers and 2 no longer needed, and 34 printers).

- KPIs have been included in document, which tie in with the relevant sections of the College Strategic Plan, including Student and Staff experience, sustainability, financial and curriculum areas etc. In response from a question, it was confirmation that regarding security, the certification was on track to be completed as scheduled and once in place will be renewed regularly. KPIs will be reported annually in the first instance.
- Regular review of budgetary matters with IT Manager.
- Cyber essentials – annual.
- Focus going forward on infrastructure – systems and wifi etc, with an increase in automation, with associated efficiencies. Students who don't have IT facilities at home, are able to take advantage of the College's devices.
- Noting the recent Microsoft global outage, it was noted that as the College used Google, it was unaffected, apart from the canteen pay system which was temporarily only able to accept cash.
- Referring to the roadmap (addendum) and in response to a suggestion from the Committee, it was agreed to include a record of the dates when various actions have been completed.

ACTION: Sarah Dunsmore

The document was endorsed by the Committee and recommended to Corporation for approval.

ACTION: Sarah Dunsmore/Elaine French

Item b) IT Disaster Recovery Plan

The document was taken as read and thanks were recorded to Jodie Braham (Parent Governor) for her input and recent meeting with Sarah Dunsmore.

- The final document has been circulated to Staff and communications has been improved so that should an incident occur, all Staff will know who to contact and action to be taken. The Plan has also been saved online where all Staff have access.
- Recommendation for testing Recovery Plan is every 6 months, although some areas may be tested more frequently.
- In response to a question from the Committee regarding assurances from external providers in respect of their systems, a service level agreement is in place. It was agreed to add the testing of external provider systems should be added to the Plan and any assurances followed up. **ACTION: Sarah Dunsmore**
- page 3 notification schedule (IT, Site Team, SLT etc) – it was recommended that process should be clarified further to avoid any misunderstanding. **ACTION: Sarah Dunsmore**
- The Committee observed that the 1 – 5 scoring in the IT Disaster recovery document (page 14) was graded in the opposite way to the College's Risk documents. It was suggested that this should be reviewed by SLT with a consistent approach.
- In response to a suggestion that Sarah Dunsmore be invited to present the Strategy to Corporation, it was resolved to schedule this for a Corporation Meeting in 2025. **ACTION: DMJ/SD/LEP**

The Committee endorsed the document from an audit Committee perspective, recommended to Corporation for approval and thanks were recorded to Sarah Dunsmore after which she left the meeting. **ACTION: Elaine French/Sarah Dunsmore**

Policies deferred to next meeting:

Procurement Policy

Public Interest Disclosure Policy (Whistleblowing)

9.Fraud Report – verbal update
Elaine French confirmed that there was nothing to report in this area and assured the Committee that all relevant staff teams were aware of fraud issues and continued to be vigilant.
10. Date of Next Meeting: Thursday 13th March 2025 10.15 A.M.
14. Any Other Business - none. a) Committee Terms of Reference – for reference purpose b) To review and agree papers to be included in December 2024 Corporation Meeting pack – noted and agreed to include all papers requiring approval.
15. Confidential Business – none.

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

Louise Pennington 28/11/24