



## MINUTES OF THE AUDIT COMMITTEE MEETING

Held At Esher College  
Wednesday, 16<sup>th</sup> November 2016, at 6.00 pm.

### Present:

David Lavarack (Chair for the meeting)	Ian Leigh
Darrell Bate	Daniel Loughlin
Peter Hickman	Karin Rowsell
Guy Biggin, Audit Partner (Crowe Clark Whitehill)	
Stephanie Wiles, Director of Finance and Estates (Advising Officer)	
Rebecca De'Ath (Clerk)	

### 1. WELCOME

The meeting agreed that in the absence of Paul Collyer (the Committee's Chair), David Lavarack would chair the meeting tonight.

He welcomed new Parent Governor, Darrell Bate, and new member, Daniel Loughlin; introductions were made.

### 2. REGISTER OF INTERESTS

No interests were declared in any agenda items.

### 3. APOLOGIES FOR ABSENCE

Paul Collyer sent his apologies (work commitments); this was accepted by the meeting. (Karin Rowsell sent a message to say that she would arrive late due to transport delays).

### 4. REPORT AND FINANCIAL STATEMENTS (TO YEAR END 31<sup>st</sup> JULY 2016), INCLUDING AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

*These items were being taken at the beginning of the meeting to enable the Audit Partner to leave for another engagement.*

The meeting noted that the Finance Committee had already reviewed these documents, and were content for them to be recommended to the Corporation for approval, subject to the Audit Committee's agreement as to their true and fair nature.

The Director of Finance and Estates explained that the Report was still in draft form and the final Regularity Report was awaited; however no figures have been, or will be, altered. She thanked Ian Leigh for his perusal of the information and for spotting some typographical errors and inconsistencies. This year the Accounts followed the Casterbridge Model (promoted by the Sixth Form Colleges Association). Being the first year that the College had presented its financial statements under FRS 102, the Report had changed visually, but there were only minor changes in content from last year: the small holiday pay accrual (£12k this year from £10k adjusted through reserves for last year) and the different treatment of the pension deficit, although no impact on reserves.

The College's Audit Partner thanked the Director of Finance and Estates and her team for their input to this process; this was an important consideration to note, as their preparatory work greatly assists the audit. He drew the meeting's attention to:

- Page 37, note 8 of the Report: "Key Management Personnel" now have to be named, and were deemed to be the Principal, Deputy Principal and Vice-Principal (ie the Steering Committee). The meeting agreed this determination.
- Pension Scheme liabilities had not changed, but the bond rates had, affecting the calculation of surpluses/deficits.
- Capital expenditure, deemed a risk by the auditor, did not present anything that needed to be brought to the meeting's attention.
- The Colleges' LGPS pension assumptions, had been benchmarked by the auditor across different organisations and no material differences were found. A Pension Briefing Note had been attached to the Statements and the meeting was asked to agree the assumptions; following a discussion, Governors agreed the assumptions.
- Management override of controls: there was nothing to report in terms of significant estimates and judgements, but in terms of controls around journals it was recommended that the Director of Finance and Estate's journals be signed off independently by the Finance Manager. The meeting agreed to this dual control.
- Appendix 4 – suggestion that Governors note the insights from the Kids Company case.

*Karin Rowsell arrived at 6.30pm*

Governors asked questions of the Finance and Estates Director:

Q: What is the role of the Accounting Officer, and who appoints him? The Principal is automatically appointed, and must take ultimate responsibility for the College's accounts and the accounting function.

Q: How will the increasing pension deficit affect the College going forward? It is a serious issue and affects the entire college sector. The College is obliged to offer the LGPS pension to all support staff, it is intended to investigate offering a defined contribution scheme next year which might help lower the risk.

The Audit Partner thanked the Director of IT and his team for their work on Payment Card Industry compliance. He concluded that there have been no audit adjustments, which is the biggest assurance that an audit can bring to an organisation and that the financial and management accounts were very robust. The meeting recorded their congratulations to the Finance team for this impressive outcome.

The meeting agreed for the Report and Financial Statements to go to the Corporation for approval, noting that although the Regularity Report required finalising, nothing material within it would be altered. The meeting also agreed to recommend to the Corporation that the Audit Findings Report be approved and the Letter of Representation be approved for signature by the Chair.

## 5. MINUTES OF THE LAST MEETING (14<sup>th</sup> June 2016)

The minutes of 14<sup>th</sup> June 2016 were agreed as a true record.

The previously-approved minutes of 24<sup>th</sup> February 2016 had subsequently been found to contain sensitive information and so agreement was given for the wording to be amended. (item 4.)

## 6. MATTERS ARISING

**A3-001:** The Audit Partner confirmed that the external assurance review conducted in 2014 had involved review data passed to and post processing by Surrey County Council and found no issues. They did not audit Surrey County Council itself.

**A3-002:** Action completed – amendments to the Risk Management Report were incorporated.

## 7. IT DISASTER RECOVERY REPORT 2016

The IT Director summarised that there had been few incidents to report this year – just one minor software and one minor hardware failure. The failure on page 4 of the Report had been addressed by subsequent staff training. Testing had taken place over half-term and no problems arose.

Q: Have you agreed back up storage with the identified College? Yes. Both sides have given the go-ahead for this.

Q: Why was the IT failure mentioned above categorised as a red risk if it was deemed a minor incident? This was due to the length of time it took to respond; the problem should have been corrected much sooner, with less impact on staff.

Q: What has the College done to protect itself from cyber-attack? Our IT Security Policy covers these scenarios; for example, we do not permit staff and students to run executable code, such as email attachments, and this prevents malware from running. We do penetration testing, in-house tests, and tests from outside the College.

The meeting agreed that the College needed to remain one-step ahead on this matter, and would leave it to the IT Director to determine the appropriate level of review for this threat.

## 8. AUDIT COMMITTEE ANNUAL REPORT TO THE CORPORATION

This Report was required to be submitted to the EFA along with the signed College accounts and with the Audit findings, to confirm that the Committee and Corporation have discharged their responsibilities.

The meeting approved the Report.

## 9. STRATEGIC RISK REGISTER UPDATE

The Director of Finance and Estates explained that she would take any comments raised at this meeting back to the Principal and Deputy Principal, who produce this Report. Governors had previously suggested that the controls under Risk 2 should move to the Actions column. This had

not been done, as the number of students will increase in 2017 and the Plan will need to be updated to take account of this – therefore it is not appropriate to re-draft the wording at this point.

Q: Should the Register capture health & safety risks in general that might potentially present an adverse impact on the College’s reputation? Governors discussed that *although there is a programme in place to mitigate risks, and the net risk is therefore low, the gross risk is significant for an institution with a large number of staff and students.* The meeting agreed that the Register should capture this risk.

Q: At what point does a risk become red? The scoring system is not clear. Perhaps a top level definition would clarify this.

**ACTION: Director of Finance and Estates** to take these suggestions to the Principal.

The Risk Management update was approved.

**10. EXTENDED ASSURANCE AUDIT THEME FOR 2016/17**

Governors discussed areas for a 3-day audit, given a budget of £3k. Possibilities included:

- an audit of the performance management cycle (from objectives set, to appraisal, to the identification of training needs, to evidence that cpd subsequently undertaken had improved performance);
- record retention procedures;
- safeguarding procedures.

It was decided that the Director of Finance and Estates would consult with the senior management team to determine which of these they felt would benefit from an assurance audit.

**ACTION: Director of Finance and Estates** to research a suitable function for an extended assurance audit for the spring term.

**11. ANY OTHER BUSINESS**

There was no further business.

**11. DATE OF NEXT MEETING – Wednesday, 22<sup>nd</sup> February 2017**

*The meeting closed at 7.12 pm.*

*Attendance was 86% (6 out of 7 members)*

Signed.....

Date.....

**SUMMARY OF ACTIONS**

<b>A1-001</b>	Item 9: Risk Register - <b>Director of Finance and Estates</b> to take the suggestion of including H&S on the Register to the Principal. Also, to ensure that the scoring system for Low, medium and High risks was more obvious.
<b>A1-002</b>	Item 10: Extended audit assurance - <b>Director of Finance and Estates</b> to research a suitable function for an extended assurance audit for the spring term.

**SUMMARY OF GOVERNOR CHALLENGE [C] /SUPPORT [S]**

<b>C/S</b>	<b>Item</b>	<b>Topic</b>
C S	4	Financial and Audit Reports – questions probing the severity of the LGPS pensions liabilities. Recognition of the hard work of the Finance team contributing to a successful audit outcome.
C	7	IT Disaster Recovery Report – questioning of a reported IT failure, and steps taken to ensure that this risk was mitigated in the future. Assurance sought that the College was prepared for cyber-attack threats.
S	9	Strategic Risk Register – suggestion that the College should capture potential threats to its reputation.
S	10	Extended assurance audit topic – the meeting felt that the SLT was best placed in this instance to determine the audit area that they felt would support them best.