



MINUTES OF THE AUDIT COMMITTEE MEETING

Held At Esher College
Wednesday, 14th November 2018, at 6.00 pm.

Present:

Paul Collyer (Chair)
Karin Rowsell

Fran Stewart

Guy Biggin – Audit Partner, Crowe Clark Whitehill
Helen Odhams, Deputy Principal (Advising Officer)
Stephanie Wiles, Director of Finance and Estates (Advising Officer)
Kerry Webb (Clerk)

1. REGISTER OF INTERESTS

No interests were declared in any agenda items.

2. APOLOGIES FOR ABSENCE

David Irving and Katie Pattison sent their apologies as did Dan Loughlin (Advising Officer).

3. DRAFT REPORT AND FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31st JULY 2018

Following discussion and comment from the Governors it was agreed the following amendments would be made:

- Financial Health (Page 7) – remove reference to expected future financial outcomes on the basis that this is a retrospective document.
- Planned Maintenance and Building Developments (Page 8) Remove Sentence “A new condition survey has been commission for 2019”, again as document is retrospective.
- Strategic Report (Page 9) - Remove sentence “excellent reputation locally and nationally” as every statement needs to be able to be supported with evidence. It is difficult to provide evidence regarding reputation, even though it is easy to support statements relating to excellent exam results, demand for places etc.
- The purpose of the system of internal control (page 16) – change from “31 July 2017” to “31 July 2018”.
- The risk and control framework (Page 17) – Change wording to “The Audit Committee considers it prudent to maintain a degree of oversight of internal controls by commissioning independent auditor reviews”.

Q. Re accounting policy 1 Equipment – What equipment do we have that was inherited from the local education authority that is still in use? Agreed that there will be little value attached to the equipment and therefore remove reference to “equipment” inherited on page 35. The Director of Finance and Estates confirmed that an exercise to tidy up the fixed asset register had been undertaken over the summer.

Please can you explain how the actuarial gain is calculated in the accounts? The Director of Finance and Estates explained that it was a requirement of the Audit Committee to be comfortable with the assumptions used for the calculation. The College relies on the actuaries to calculate the gain/loss. The following was noted:

- FRS02 calculation is different to the LGPS calculation. The idea of the calculation is to smooth out the numbers so that we don't get large gains and losses year on year.
- The actual actuarial valuation LGPS deficit is only £50k.
- The Audit Partner explained that the calculated deficit does not affect the College's cash contributions, this would only happen if the liability crystallised tomorrow.
- The Actuary uses gilts to calculate the valuation, whereas the investments are in other denominations. This is why you get deficit variations.
- The Audit Partner confirmed that they benchmark the Colleges LGPS assumptions against other LGPS scheme assumptions for other local educational charities to ensure they are in line.

Q. Are we obliged to offer this LGPS pension to support staff? Yes, we are. There are options that could be explored for new staff joiners, however careful consideration would need to be given before embarking on this. The Director of Finance and Estates noted that the pension gains/losses are stripped out for the purposes of the financial health calculation.

Q. What might be the impact of the proposed TPS employer contribution rate from 16.48% to reported more than 23% from April 2019? This will be very costly to the College. The government has only agreed to support the increased cost for schools and academies

The committee commended the Director of Finance and Estates for her careful financial management and noted that there was no interest incurred on invoices due.

Subject to the outlined amendments, the Committee recommended the "Draft Report and Financial Statements for Financial Year Ended 31st July 2018" for approval by the Corporation.

4. AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION 31st JULY 2018

The Audit Partner thanked the Director of Finance and Estates and her team for all the hard work they had done in preparation for the Audit. He stated that the Committee could take comfort that the internal controls in place at the College were robust, evidenced by the fact there was no difference between the management accounts and the statutory account for the year.

In the main there was nothing notable to report. The following points were made:

Income (2.1) – The budgeting process was commended, what the College says will happen, does with very little variation. The classification of donations was discussed. This is the second time that the Audit report has commented on a more appropriate treatment of donations. The Director of Finance and Estates was asked to consider amending the college's accounting treatment. It was noted that the improved literature regarding parent donations (detailing how money is spent etc.) had helped secure an extra £6k of voluntary donations.

ACTION: Director of Finance and Estates to consider amending the College's accounting treatment.

Q. Is gift aid claimed? Yes.

- Payroll (3.1) – was tested, looking at starters/leavers, year-on-year costs and reconciling payroll to the accounts. Nothing to report
- Going concern (3.5) – the Audit Partner recognised that the government funding is going down in real terms, this coupled with the costs of being over-scribed puts pressure on resources.

Karin Rowsell arrived at 6.45pm

The committee noted the medium rated finding regarding a failure to follow the college's policy around tendering for two large expenditures.

Q. (Directed to Director of Finance and Estates) Can you talk through the process for tendering for the motor vehicle and insurance?

- Insurance contract - although the Insurance contract wasn't tendered, the process to the point of tender was undertaken and robust procedures were in place to ensure value for money. Complications were due to the broker not being on the approved list of CPC Framework, but the Director of Finance and Estates explained that it was imperative she was comfortable that the College had the right level of insurance in all areas.
- Purchase of motor vehicle – minibuses for sale tend to go very quickly, therefore extensive work had been undertaken over several months before purchase to benchmark the going rate for the specification required. In hindsight, this tracking should have been printed off as evidence of commitment to ensure best value.

Considering the above, the committee was comfortable that a rigorous value for money approach was undertaken, although it was not in line with the College's own procurement policy, which should perhaps be reviewed. In future, a brief report to the Chair of Finance and Estates or Corporation Chair would ensure adherence to the policy. Additionally, it was suggested a schedule of key tenders due for review would ensure that there was enough time to gain committee approval for major spend.

The Audit Partner confirmed that, following this discussion, he was happy to amend the risk from medium to low as a better reflection of the actual risk.

Q. Last year procedures were recommended for separation of duties relating to journals. Is this procedure still in place now? Yes.

The meeting recommended that the Corporation approve the draft Letter of Representation for signature by the Chair. The meeting agreed that the letter be put to the Corporation for signature.

The Audit Partner stressed that the systems in place at the College were robust and the fact no adjustments were required supported this. The Chair thanked him for his work and report.

The Audit Partner left the meeting.

5. MINUTES OF THE LAST MEETING (13th June 2018)

The Committee noted that the action in Agenda Item 6 (Anti-Fraud Policy Review) should be changed from "Office Manager" to "Deputy Clerk". Subject to this amendment, the minutes were approved and signed as an accurate record.

6. MATTERS ARISING

A2-001: The Anti-Fraud Policy had been amended – complete.

A2-002: Disaster Management Strategy – Training was booked for the Summer but was cancelled, the company providing it had rescheduled for January 2019. There had been useful lessons learnt following the recent fire incident. A post incident review had been undertaken and strategies had been updated accordingly. – Action not yet complete

A2-003: Staff members not becoming members of the Audit Committee – complete.

7. IT DISASTER RECOVERY AND DATA PROTECTION REPORT

The Committee noted that the report was very thorough and, in his absence, thanked the IT Director for his hard work. It was noted that the data attacks detailed in page 9 of the report had been identified and dealt with swiftly. The recent data protection exercises that staff have undertaken have proven useful, staff are following procedures, are vigilant and flag up any suspicious activity.

Q. Was there any embarrassment caused to any individuals who had data leaked? The College has not been made aware of this, the issue was quickly dealt with.

8. AUDIT COMMITTEE ANNUAL REPORT TO THE CORPORATION

It was explained that this was an annual requirement and the report will be uploaded to the ESFA site.

The meeting approved the report.

9. STRATEGIC RISK REGISTER UPDATE

The Deputy Principal drew the meeting's attention to the following items in the Register:

- Risk 2 (Student numbers) – continues to be important. There are actions in place to mitigate this risk. Four working groups are undertaking a rounded review and a wide group of staff are involved. Extensive market research has been undertaken to try to understand factors around conversion rate. Actions from the working groups will soon emerge with recommendations to be made before the end of the term.
- Risk 3 (Impact of changes to GCSE specifications) – have found that the level of non-qualifying (i.e. students not getting the required GCSE levels) was down slightly this year, therefore indications are that the new grading has not had much impact to admissions. Q. are there any subjects that are hard to recruit students for? Some schools do not offer subjects such as Music or Art at GCSE and this therefore can impact on recruitment for A-Level. It was agreed that as there was no deemed impact associated with this risk, we should remove this risk.
- Risk 5 (Changes to 458 Bus Service) – remove risk.
- Risk 8 (Pensions) - It was noted that the points raised here focused on the effect of staff morale rather than financial implications.
- Risk 10 (Senior Team) – remove risk.
- Risk 11 (Difficulties recruiting quality teachers) - longstanding item but the College does fill appointments. It was noted that the internal teacher training has been an effective scheme. Q. Is this a rising or a falling risk? It is not necessarily either, different factors come into play each year.
- Risk 12 (IT leak), remove, no longer deemed a risk.

Do we have any risk included related to longer term financial position? Not specifically, could explore including financial viability i.e. impact on pension rate increases, volatility in pupil numbers. It was agreed that input from the Principal should be sought in this regard.

The meeting thanked the Deputy Principal for her summary, and, subject to those items now flagged for removal, approved the updated register.

ACTION: Deputy Principal to remove Risks 3, 5, 10 and 12 from the Strategic Risk Register.

10. EXTERNAL AUDIT ASSURANCE THEME FOR 2018-19

The Committee noted that the past external audits had been a helpful exercise. It was agreed that although GDPR had been flagged as a theme for 2018-19, due to capacity issues in the IT Department it would be delayed until 2019-20. Given the breadth of topics covered over the last few years, the Committee was comfortable with not having an audit this year. This was subject to checking with those audit committee members not at the meeting (i) whether they had thought of a theme that we should be looking at this year and (ii) if not, if they are happy for there to be no review this year.

It was noted that there is no legal requirement to have an internal audit / external assurance audit each year. Additionally, Karin Rowsell noted that she had spent considerable amount of time recently with the Personnel Manager going through the safer recruitment process to ensure stringent adherence to safeguarding procedures. She was satisfied it was very thorough.

ACTION: Director of Finance and Estates to email Audit committee members to gain consensus on approach to external audit assurance theme for 2018-19.

11. REVIEW OF TERMS OF REFERENCE

- Page 1, number 2 wording should be changed to read “shall consist of not less than five current members of the Corporation”
- On page 2 number 17 check whether wording “...the requirements of the Education and Skills Authority” should be changed to “the requirements of the Department of Education”.

ACTION: Deputy Clerk to change number 2 and seek clarification from Deputy Principal as to changes to number 17.

12. ANY OTHER BUSINESS

There was no other business raised.

13. DATE OF NEXT MEETING – Wednesday, 12th June 2019 at 6pm.

*The meeting closed at 7.55pm.
Attendance was 60% (3 out of 5 members)*

Signed.....

Date.....

SUMMARY OF ACTIONS

A1-001	<u>Item 4. Audit Findings Report</u> Director of Finance and Estates to consider amending the College's accounting treatment.
A1-002	<u>Item 9. Strategic Risk Register Update:</u> Deputy Principal to remove Risks 3, 5, 10 and 12 from the Strategic Risk Register.
A1-003	<u>Item 10. External Audit Assurance Theme for 2018/19:</u> Director of Finance and Estates to email Audit committee members to gain consensus on approach to external audit assurance theme for 2018-19.
A1-004	<u>Item 11. Review of Terms of Reference:</u> Deputy Clerk to change number 2 and seek clarification from Deputy Principal as to changes to number 17.

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

C/S	Item	Topic
C	3	Draft Report and Financial Statements – questioning by governors to ensure that: - the procurement process was robust and ensured value for money for the College; - appropriate classification for fixed assets; - College was considering pension arrangements and potential impact of pension rate increases
S C & S	4	Audit Findings Report Support for the Director of Finance and Estates in that the meeting agreed that the audit had demonstrated the robust financial management and procedures of the college The governors considered the highlighted control failing and sought to question and understand the procurement process to ensure value for money for the College; The governors provided helpful advice and support for moving forward.
S	7	IT Disaster Recovery: The governors commended the IT Director that the report was very thorough and were pleased issues were identified and dealt with swiftly.
C S	9	Strategic Risk Reviews – governors asked questions to understand risks and following the discussion made recommendations to now remove some risks from the register. The governors thanked the Deputy Principal for her work on the register.
S	10	Extended Audit Theme – Karin Rowsell commended the Personnel Manager on the thorough Safer Recruitment (looked at from safeguarding perspective) processes in place at the College.