



MINUTES OF THE AUDIT COMMITTEE MEETING

Held on MS Teams
Wednesday, 11 November 2020 at 6.00 pm.

Present:

Ian Leigh (Chair)
Andy McVeigh

Fran Stewart
Cindy Dawes

Guy Biggin – Audit Partner, Crowe Clark Whitehill

Daniel Loughlin, IT Director (Advising Officer)
Stephanie Wiles, Director of Finance and Estates (Advising Officer)
Helen Odhams, Deputy Principal (Advising Officer)
Ken Kehoe (Clerk)

1. REGISTER OF INTERESTS

There were no declarations of business interests.

2. WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed Andy McVeigh and Cindy Dawes to their first meeting of the Committee. Apologies were received and accepted from Karin Rowsell.

3. DRAFT REPORT AND FINANCIAL STATEMENTS

The Director of Finance and Estates introduced the draft Report and Financial Statements, explaining that the accounts included the opening balances of the Trust and setting out the differences between these accounts and those produced by the Corporation. These included the statements on governance and the allocation of funds to restricted and unrestricted categories. She also highlighted that it was for Trustees to choose the pension assumptions used in the accounts.

Mr Biggin informed the Committee that the draft Report and Financial Statements were compliant. He also noted that the Director of Finance and Estates had worked very hard to produce the draft Report and Financial Statements.

The Chair invited the committee to comment on the draft. Members made the following points:

- Should there be a statement about COVID at the beginning of the Report? The Director of Finance and Estates responded that COVID was covered on page 11 of the Report, under Principal Risks and uncertainties, and on page 28 under the Going concern paragraph. Mr

Guy Biggin confirmed that he would expect to see references to Covid in those parts of the Report.

- The list of Trustees was not up to date and should be amended.
- There were different dates shown as the date of signing. These should be consistent.
- What was the impact of the £2.7million pension deficit shown in the accounts? The Director of Finance and Estates explained that that figure was based on FRS 102 but that the last Actuarial valuation in 2019 had shown only a small deficit and indeed our employer contributions had gone down.
- The Director of Finance and Estates and Mr Guy Biggin were to be congratulated on their work and the splendid report.

The committee agreed to recommend the draft Report and Financial Statements to the Board of Trustees, subject to the list of Trustees and the signing dates being amended.

Action: The Director of Finance and Estates to amend the list of Trustees and the signing dates shown in the draft Report and Financial Statements.

4. AUDIT FINDINGS AND LETTER OF REPRESENTATION

Mr Guy Biggin, introducing the Audit Findings, noted that due to the COVID crisis the audit had happened remotely but that this had no impact on the audit. He noted that the remote audit had involved much work for the Director of Finance and Estates and her team and he wished to thank her for her assistance. Mr Biggin made the following points:

- The statements about being a Going Concern were made by the Board of Trustees, not by the Auditors. But that based on knowledge of the College, the proposed statements seemed appropriate. In response to a question, as to the proper role of the Audit committee with regard to the Going Concern statements, Mr Biggin noted that the Audit Committee should have comfort over the assumptions made.
- Payroll had been audited and the data was clean;
- The Balance Sheet was normal, although as this was the first year, there was no comparator for last year. The audit had looked at capital expenditure, including the two major capital projects this year. There was nothing to report;
- On pensions, Mr Biggin noted that the Teacher's Pension Scheme is not included on the balance sheet but that the Local Government Pension Scheme is. He further noted that it was for the Trustees to confirm that they were content with the assumptions made. But he informed the committee that there was nothing from the audit that he needed to bring to their attention;
- The auditors were comfortable with the Disclosure Statements;

- The audit had checked the regularity of expenditure to ensure that it was in line with terms laid down by ESFA; there was nothing to bring to the Committee's attention. They had also checked the internal controls, the regularity and probity of expenditure and there was nothing to report;
- The fraud and error section of the report set out some pointers for areas that the College might like to consider but there were no issues to report.

The committee thanked Mr Biggin for his presentation. The committee asked whether the £4mn unrestricted funds on the balance sheet were at risk of being clawed back. The Director of Finance and Estates noted the College had reserves of £1mn to £1.5mn, and that the balance of the unrestricted funds was earmarked for current and future capital projects. In a further response, the Director noted that the proposed Student Support building would be part of a CIF bid but that the new Performing Arts building would not be.

The committee agreed to recommend the Auditor's Report and the attached draft letter of representation to the Board of Trustees.

5. MINUTES OF THE LAST MEETING

The minutes of the previous meeting of 10th June 2020 were approved as an accurate record.

6. MATTERS ARISING

A2-001: The IT Director must inform the Audit Committee, before its next meeting, if the cyber security report on internal risks reveals any major issues of concern. **Done.**

A2-002: The IT Director should send the cyber security report to the former Chair of the audit committee and ask that if he had any comments that these be fed into the new Chair of audit committee. **Outstanding.**

A2-003: The Deputy Principal to amend the Risk Register. **Covered elsewhere in the agenda.**

A2-004: The Deputy Principal to place a sample of the subject videos and study guides in the Trustees' portal. **Done. The committee thanked the Deputy Principal for her work.**

A2-005: The Deputy Principal to investigate whether it would be appropriate to consider copyrighting the College study guides. **The Deputy Principal informed the committee that the study guides were very specific to Esher College and would be covered by the College's Intellectual Property Rights.**

A2-006: The Director of Finance and Estates to confirm that the contractor had the necessary permissions from the Council and neighbours for any out of hours work. **The Director of Finance and Estates informed the committee that out of hours working had not been required.**

7. IT DISASTER RECOVERY AND DATA PROTECTION REPORT

The IT Director informed the committee that it had been a quiet year with only 1 significant incident caused by a failure of electrical supply in the server room. Due to the response to the COVID crisis, there had not been as many planned restorations this year. Turning to data protection, the IT Director said that the latest Report was not in the papers that had been circulated but he informed the

committee that there had been no serious incidents and there had been nothing that had required reporting to the Information Commissioner's Office.

The committee thanked the IT Director and agreed that GDPR compliance should be on the agenda of the next meeting and that the IT Director should circulate the latest Data Protection Report.

Action: Clerks to add GDPR to the next Audit Committee agenda.

Action: IT Director to circulate the latest Data Protection Report.

8. RESULTS OF THE INTERNAL CYBER SECURITY REPORT

The IT Director took the committee through the main elements of the Internal Cyber Security Report. He noted that some of the issues that had been raised in the report were a consequence of the impact of COVID work on other activity. In response to questions from the committee:

- the IT Director noted that the National Cyber Security Centre guidance was to use long passwords, using phrases or sentences. He also set out for the committee the measures that he was taking to ensure the safety and integrity of passwords used on the IT system;
- the IT Director noted the resource intensive nature of applying patches to software but he assured the committee that all core programmes were patched, at least, every 14 days;
- the IT Director noted that some issues would be resolved within a few months as work took place on the network.

The committee thanked the IT Director for his briefing and agreed that they were content and reassured.

9. AUDIT COMMITTEE INTERNAL SCRUTINY REPORT

The Director of Finance and Estates introduced the draft Report, explaining that the Report went to the Board of Trustees and then to the Education and Skills Funding Agency. The Committee thanked the Director and agreed the Report.

(Clerk's post meeting note - After the meeting, the Director of Finance and Estates noted that part of the draft Report had not been included in the pack for Committee members. The complete document was circulated by email to the committee and members confirmed that they remained content with the Report.)

10. STRATEGIC RISK REGISTER

The Deputy Principal introduced the discussion, noting that she had brought together the Strategic Risk register and the COVID Risk Registers. She highlighted the following points:

Risk 2: Student Numbers The previous actions and controls had been amended to reflect the current COVID operating environment. She noted that there had been an Applicants' Evening the previous evening which had been very successful with around three thousand attending online.

Risk 3: Future of BTEC: The committee questioned whether the withdrawal of these qualifications would really be catastrophic? The Deputy Principal responded that about 30% of Esher students took BTEC qualifications. The loss of those students would be difficult. The loss of the qualification would also be difficult for those students for whom that was the best option.

Risk 4: Reputational Risk The Deputy Principal noted that the impact of COVID had been included in this risk and that the appointment of the COVID Marshals had been of great benefit in ensuring compliance on-site.

Risk 8: New Build Risk The committee agreed to the Deputy Principal's proposal that this risk be removed from the register until such time as a new building project commenced.

Risk 10: Recruitment Risk The Deputy Principal informed the committee that the risk had been reduced in light of the College's ability to fill all its posts, the recruitment of trainee teachers and the signs that there was greater interest in joining the teaching profession.

The committee questioned why there was nothing on the impact of a no deal Brexit. The Deputy Principal and the Director of Finance and Estates noted that this had been considered prior to COVID but currently there was no obvious impact, The committee asked that the leadership team check with external suppliers regarding the impact on staff and supplies of no deal at the end of the transition period.

Action: The Deputy Principal to remove Risk 8 from the register until such time as a new building project commenced.

Action: The Deputy Principal and the Director of Finance and Estates to confirm with external suppliers that there will be no impact on staff or supplies from no deal at the end of the transition period following the UK's exit from the EU.

11. COVID RISK REGISTER

This was covered under item 10.

12. EXTERNAL ASSURANCE THEME

The committee agreed that purchasing and the letting of contracts should be the External Audit Assurance themes.

13. ANY OTHER BUSINESS

The committee agreed to recommend to Members that the current firm of auditors should be retained for the current financial year. The committee also agreed that the Director of Finance and Estates should bring forward proposals to the next Audit Committee on how external Audit work should be conducted in future years.

Action: The Director of Finance and Estates should bring forward proposals to the next Audit Committee on how external Audit work should be conducted in future years.

14. DATE OF NEXT MEETING: 10 June 2021

*The meeting closed at 7.40pm.
Attendance was 80.0%.*

Signed.....

Date.....

SUMMARY OF ACTIONS

A2-002 (2019/20):	The IT Director should send the cyber security report to the former Chair of the audit committee and ask that if he had any comments that these be fed into the new Chair of audit committee.
A1-001	The Director of Finance and Estates to amend the list of Trustees and the signing dates shown in the draft Report and Financial Statements.
A1-002	Clerks to add GDPR to the next Audit Committee agenda.
A1-003	IT Director to circulate the latest Data Protection Report.
A1-004	The Deputy Principal to remove Risk 8 from the register until such time as a new building project commenced.
A1-005	The Deputy Principal and the Director of Finance and Estates to confirm with external suppliers that there will be no impact on staff or supplies from no deal at the end of the transition period following the UK's exit from the EU.
A1-006	The Director of Finance and Estates should bring forward proposals to the next Audit Committee on how external Audit work should be conducted in future years.

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

C/S	Minute	Topic
S	3	Draft Report and Financial Statements The committee thanked the Director of Finance and Estates and her team for their work on drawing up a splendid report.

C	10	Strategic Risk Register The committee asked the leadership team to confirm with external suppliers that there would be no impact on staff or supplies from no deal at the end of the transition period following the UK's departure from the EU.
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