



MINUTES OF THE AUDIT COMMITTEE MEETING

Held At Esher College

Tuesday, 21st November 2017, at 6.00 pm.

Present:

Paul Collyer (Chair)

David Irving

Daniel Loughlin

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)

Rebecca De'Ath (Clerk)

1. REGISTER OF INTERESTS

No interests were declared in any agenda items.

2. APOLOGIES FOR ABSENCE

Darrell Bate was ill and had sent his apologies, which were accepted.

3. DRAFT REPORT AND FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31st JULY 2017

The Director of Finance and Estates explained that she had made several last minute changes to the figures on the Financial Statements relating to FRS102 numbers and some figures had not been linked through to the strategic report. The total comprehensive income was not affected by this. (Members of the meeting had been sent the corrected statements).

The College's Audit Partner reported that there had been no adjustments to the figures, and they should therefore be in line with the Management Accounts. Governors asked him the following questions:

Q: Is there anything that you want to draw our attention to? No, not in the accounts. This is a very clean audit report, thanks to the Director of Finance and Estates' hard work.

Q: Am I right in saying that income was less this year compared to last year, does it mean we had fewer students? Total income was less; students numbers were based on lagged funding. In addition, we lost the Transition Funding (£250k). We exercised tight cost control and over-shot by £100k on EBITDA. This year's budget is more comfortable.

Q: Why has income from tuition fees gone up so much? This line includes the Adult Education service, which made a profit. High Needs funding also varies year on year.

Q: I see that not all the bursary income was spent. As it is not the College's money, shouldn't all of it have been spent on the relevant students? No – it depends on how many students we have. The

money is allocated out throughout the year; any excess is deferred to the following year and is effectively ring-fenced. We do our best to spend it.

Q: Is there a hardship fund for students who want to go on trips, or buy Duke of Edinburgh equipment, for example? The College contributes 50% towards compulsory trips. We can only use this funding in line with specific guidelines.

Q: Are the actuarial papers in support of the pension numbers in the draft accounts? I receive the assumptions in September. The Auditors check the assumptions against a benchmark. In approving the accounts, Governors are accepting the assumptions.

Q: The Auditors' fees are more than last year – was there more work to do this time during the audit? This is to do with an invoice for £1,000 being missed last year and showing this year.

David Irving arrived at 6.15pm

4. AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION 31st JULY 2017

The Audit Partner thanked the Director of Finance and Estates for the work she had done in preparation for the Audit, and stated that Governors would gain assurance from the fact that he had little to report. He drew the meeting's attention to the items in his report on income (2.1), management override controls (2.2), payroll (3.1), capital expenditure (3.2), pension liability (3.3), and bank reconciliation (4) which due to its nature and recommendations would always be assessed at Medium or higher even if not serious.

The meeting noted that they had to recommend that the Corporation approved the draft Letter of Representation for signature by the Chair. The letter was the same as last year's. The meeting agreed that the letter be put to the Corporation for signature.

The Audit Partner concluded that the audit process was very good from his point of view. The meeting concurred that the outcome was very reassuring. The Chair thanked him for his report.

The Audit Partner left the meeting.

5. MINUTES OF THE LAST MEETING (14th JUNE 2017)

The minutes were approved as an accurate record.

6. MATTERS ARISING

All actions had been completed.

A3-001: The Clerk had uploaded the Whistleblowing and Anti-Fraud Policies onto the portal.

A3-002: The Deputy Principal and Assistant Principal did not receive formal disaster management training, but both felt comfortable implementing the relevant procedures, and knew where to go to for advice. The SLT had decided that a disaster scenario exercise was difficult to conduct as it would be challenging to imagine what disaster to plan for, an external facilitator would be required.

The Governors asked the Deputy Principal the following questions:

Q: What do other S7 colleges do? Could you share training costs with them? I am not sure what they do, but this is something we could find out if governors felt this appropriate.

Q: Last year there was the death of a student – although it happened off-site. Was a review carried out? Yes. The College has a clear protocol of what to do, and the procedures were again revised this term – be it the death of a student or a member of staff.

Q: What are the alternative locations for staff to work from in the event of a disaster on-site? We have arrangements with other schools if such an event were to occur.

Governors all agreed that they felt that they should strongly recommend that the College carried out a disaster scenario exercise to test College emergency procedures. Asked where to research a suitable training facilitator, the Deputy Principal was advised to contact S7 colleges in the first instance, then the local authorities and Surrey County Council. (The Clerk stated that the Crisis Response Team in the Royal Borough of Kingston would be able to give advice.)

ACTION: SLT to research and investigate possibility.

A3-003: The CIF action plan went to the Quality & Standards Committee and was approved. The Plan will be updated half-termly and reviewed by the Quality & Standards Committee, which will report back to the Corporation. The meeting agreed this approach.

7. IT DISASTER RECOVERY REPORT

The IT Director stated that this has been a reasonably quiet year. There was now an off-site back-up with another S7 college, which was working well, and there was an on-site back-up to switch over to in the event of an IT failure. This was comprised of older IT equipment that had been replaced with more recent computers. He answered the following questions:

Q: Were any works required to make the on-site facility secure? We have put more locks on the doors.

Q: Were any fire protection measures required? No.

Q: Does the older IT equipment run up to date software? Is there any risk? It runs well, just not as fast. It can run recent software.

The IT Director drew the meeting's attention to the fact that a very expensive quote had been received to back-up the internet connection. He felt that the cost would outweigh any disruption that might occur if the internet went down. Most issues would take only 24 hours to resolve; a few might last a week at the worst. The meeting agreed with his approach, but asked for it to be kept under continual review.

Governors sought more information via the following questions:

Q: Would there be any impact on exams or exam results if there was no contingency for this back up? No.

Q: Have you looked at outsourcing this so that there is back up? Cloud is taking off and we review this regularly to see if we want this facility. As we integrate a lot of systems at the College, we would lose some functionality if we adopted this solution. Most colleges, particularly S7, retain IT services in-house. It is more expensive to go off-site.

Q: Do you review this regularly? We have a three-year operational priority plan. And when we look at new services such as financial or HR systems, we review all options including the use of Cloud.

Q: I see that the exam leak in the summer is not on your list of failures. Why is this? It is because it is captured on the Risk Register. We also didn't think that is was an actual loss of data, as the individuals only received their own data.

Governors disagreed with this, and felt that the table was designed to track email data losses, and should list this issue.

Q: Are you adequately-funded to manage the risks that you have identified? Yes. I have no concerns about spending the money that I need.

The meeting thanked the IT Director for his report.

ACTION: IT Director to capture exam leak incident on his Data Loss table.

8. AUDIT COMMITTEE ANNUAL REPORT TO THE CORPORATION

It was explained that this report will be uploaded to the ESFA site, it was a requirement. It was expected that the College would get a "Good" rating of its financial health.

The meeting noted that the report erroneously stated that it was for 2015-16, rather than for 2016-17, and approved the report subject to this amendment.

9. STRATEGIC RISK REGISTER UPDATE

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

Risk 2 (Student numbers) – this is a risk this year, and it is not known whether this situation will occur again, although there are actions in hand to mitigate the risk such as putting more students on the waiting list.

Risk 3 (Impact of changes to GCSE specifications) – in response to questions, the Deputy Principal explained that the College views a grade 4 as a standard pass. If some universities required grade 5s in English and Maths, then students could resit these exams at the College. Grade 6 was the requirement for Maths and Science for entry to the College. Finally, there was no clear pattern emerging as to whether students were choosing to remain at their school's sixth form, or preferred to leave to attend a sixth form college, rather a range of issues that have been brought up in the Admissions Analysis.

Risk 5 (Requirement of the Children's & Families' Act) has been deleted and replaced with the bus scheduling risk. The latter would be deleted from the Register if the outcome of Surrey County Council's review in December was positive.

It was explained that the risk scoring system was "likelihood x impact", where 1 was a rare event to 5 which was certain to happen. Impact 1 meant no impact, and 5 was catastrophic.

The meeting thanked her for her summary, and approved the updates, pending the result of the council's review of bus services.

10. EXTERNAL AUDIT ASSURANCE THEME FOR 2017-18

The Director of Finance and Estates and the Chair of the Committee had discussed some ideas for this year’s extended audit which they shared with the meeting. It was agreed that Health & Safety should become the topic for review in 2018, and General Data Protection Regulation for the following year once the new system had bedded in. Procurement, purchasing and contract monitoring might be a topic for 2020.

(Governors asked about the cost of the contract with Crowe Clark Whitehill, and when the contract was up for renewal).

ACTION: Director of Finance and Estates to scope the extended audit and email it to members of this committee for comments, drawing on S7 examples if they exist.

11. LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS POLICY

Governors reviewed the policy, which was modelled on that of Godalming and Reigate colleges. The meeting agreed to recommend that the Corporation approve the policy.

12. ANY OTHER BUSINESS

As the next meeting was not until June, the Clerk was asked to email out the minutes of this meeting as soon as possible while still fresh in everyone’s minds.

ACTION: Clerk to effect.

10. DATE OF NEXT MEETING – Wednesday, 13TH JUNE 2018

The meeting closed at 7.30pm.

Attendance was 83% (5 out of 6 members)

Signed.....

Date.....

SUMMARY OF ACTIONS

A1-001	Item 6: Matters Arising – SLT to research and investigate possibility of a disaster exercise.
A1-002	Item 7: It Disaster Recovery – IT Director to include exam leak incident on his Data Loss Table.
A1-003	Item 9: Extended Audit – Director of Finance and Estates to scope the work on H&S and email committee members for comments.
A1-004	Item 12: AOB – Clerk to email the minutes to committee members as soon as practicable after the meeting.

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

C/S	Item	Topic
C	3	Draft Report and Financial Statements – questioning by governors to ensure that: - spending per student was not affected in last year’s austerity measures, and that bursary monies are spent appropriately on the relevant students; - the Audit fees represented value for money.
S	4	Audit Findings Report – support for the Director of Finance and Estates in that the meeting agreed that the audit findings left them reassured as to the College’s financial footing.
C	6	Matters Arising: governors strongly challenged the College to conduct a disaster planning exercise, and sought assurance that lessons were learned about the death off-site of a student last year.
C S	7	IT Disaster Recovery – governors queried whether back-up systems were fit for purpose, that they were adequately secured, and whether other back up outsourcing was regularly reviewed (e.g.Cloud). They also sought clarification that exams and exam results would not be affected by any system failure.
C	10	Extended Audit Theme – suggestions from governors as to the areas that might benefit from an extended audit.