

FAREHAM COLLEGE

AUDIT COMMITTEE

16<sup>th</sup> March 2016

M I N U T E S

Present: Mrs J Lancaster  
Mr T Rudd  
Mr A Spires  
Dr C Thomas  
Mr A Wilkins

In attendance: Mr N Duncan (Principal)  
Mrs E Baxter (Director of Finance & Funding)  
Mr D Canham (Mazars)  
Mrs J Eayrs (Clerk)

**01/16 Declaration of Interests**

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting. Mr Canham requested that the Committee be made aware that he was a Governor on the St Vincent College Corporation, although it was acknowledged that this did not present a conflict of interest.

**02/16 Apologies for absence**

Apologies for absence were received and accepted from Mr Bishop and Mr Nicholls from Grant Thornton.

**03/16 Minutes of the meeting held on the 25<sup>th</sup> November 2015**

The minutes of the meeting held on the 25<sup>th</sup> November 2015 were agreed as a true and accurate record and were signed by the Chair.

**04/16 Matters arising from the minutes of the meeting held on the 25<sup>th</sup> November 2015**

(i) **Minute 33/15: Area Based Review (ABR)** - The Principal provided members with an update on the ABR process, the progress to date and the options being explored by Fareham College with Eastleigh College and other colleges in the region. Members noted that the timeframe for the process had been extended to 9<sup>th</sup> June 2016 and, by this date, colleges were required to present their recommendations/intentions in order to access the transitional funding available.

**05/16 Termly Report on Risk Management – March 2015**

Members of the Committee received the College Risk Register which provided an update of the College's current risk exposure, provided assurance that risks had been evaluated and which outlined the mitigation which had been put in place to reduce the risks identified. The Principal spoke to the paper and advised members that the Risk Register had been refreshed and duplication of risks reduced. In addition, the College had worked with the Internal Auditors to compare the top risks identified with 17 other colleges in the sector.

The committee reviewed, considered and discussed the following key risks and the mitigation in place to reduce them:

- **Area Based Review** – The Principal stated that it was too early in the process to assess the potential risk to the organisation, although there was a risk that this could cause a distraction from the College's main business;

- **Maths and English** – The Principal reminded members that maths and English continued to present a challenge for the College. He confirmed that the TSC&Q Committee had received a presentation on the developments in this area and reported that attendance had increased and mock results had improved;
- **Inadequate Teaching and Learning** – Members noted that a significant amount of work had been done to improve teaching and learning and to ensure the College was ‘Inspection ready’;
- **Finance** – The Principal outlined the position regarding the ROTA registration and the situation related to the growth funding bid;
- **Funding Cuts** – The need to grow other funding streams;
- **Failure to recruit international students** – Members noted that the College was still awaiting Visa and Immigration Services award of Tier 4 status;
- **Staff Recruitment of specialist skills** – Members noted that specialist posts in English and Maths, Engineering and Gaming continued to be difficult to recruit to. The Principal advised the Committee that he was interviewing a Canadian candidate (for an Engineering post) by Skype on Friday;
- **Lockdown Procedure** – The Principal provided an update on the development of a Lockdown Procedure as part of the PREVENT duty. He confirmed that a rehearsal of the procedure was being planned;
- **Delayed Demolition of south side of campus** – The Principal advised the Committee of a request from Bloor to change the payment profile for the land sale and, as a result, the deadline for completion of the demolition had been extended for a month. Members noted that a Deed of Variation was currently being executed by the College Solicitor;
- **Student Behaviour** – Members discussed this issue and the view of the Staff Governor was sought. Mrs Lancaster confirmed that the majority of behavioural issues were ‘low level’ but a consistent approach to dealing with these issues needed to be adopted;
- **Lack of in-house IT capacity** – The Principal confirmed that, following the resignation of the Information Services Manager, a full review of the IT services structure to support the demands of the future was being undertaken and a number of options explored. Governors agreed that it was essential to ensure that appropriate skills were retained in-house to hold any outsource team accountable if that option was adopted;
- **LGPS De-grouping** – The Principal advised the Committee that the proposed de-grouping of colleges by Hampshire County Council could result in additional support staff pension costs of circa £200k.

**Members of the Committee reviewed the contents of the paper and noted the current position.**

## **06/16 Internal Audit Strategy and Operational Audit Plan 2015/2016**

Members of the Committee received the Internal Audit Strategy and Operational Audit Plan 2015/2016. Mr Canham, Mazars, explained that the audit plan, which had been finalised in September 2015, should have been presented to the Committee in November 2015 but, due to an administrative oversight, this had not happened.

He spoke to the report and drew members’ attention to:

- Section 2, which outlined the scope and purpose of internal audit;
- Section 3, which outlined the strategy used in preparing the internal audit strategy and operational audit plan;
- Section 4, the Strategic Audit Plan and Operational Audit Plan 2015/2016 which was provided at Appendix A1 and A2 respectively to the report.

There was a brief discussion about the oversight which had occurred in presenting the IA Plan. It was acknowledged that both the College and Mazars had been through a transitional period of staff change and Mr Canham advised that, going forward, he would take the lead on the south coast clients under the management of Mr Clarke, whilst Mr Newman would focus on London. The Chair stated that it would have been beneficial to have received an email from Mr Clarke outlining the proposed staff changes. The Chair also stated that he would have expected the Director to be present at the autumn term meeting when the annual audit opinion had been provided.

**Members of the Committee reviewed and endorsed the Strategic Audit Plan and Internal Audit Operational Plan 2015/2016 as outlined in Appendix A1 and Appendix A2 to the report.**

## **07/16 Internal Audit Progress Report**

Members of the Committee received an Internal Audit Progress Report which provided a progress update to the Committee in respect of the Internal Audit Strategy and Operational Plan for the year ended 31 July 2016. Mr Canham, Mazars, spoke to the report and referred members to:

- Section 2 of the paper which provided a summary of activity since the last Audit Committee meeting;
- Section 3, which highlighted the key issues arising from the internal audit programme to date; and
- Section 4, which provided a comparison to the original timetable for 2015/2016. Members noted that a new date for the Debt and Cash Management audit needed to be agreed with the new Director of Finance and Funding (proposed to take place late May 2016).

**Members of the Committee reviewed and noted the contents of the report.**

## **08/16 Internal Audit Subcontracting Controls (01. 15/16)**

Members of the Committee received the Internal Audit Report Subcontracting Controls (01. 15/16). The scope of the audit visit had been to review the design and operation of the systems and controls for managing subcontracted delivery for the Academic year 2015/2016 in accordance with the Skills Funding Agency (SFA) enhanced rules and regulations. Mr Canham, Mazars, explained that the SFA now required lead providers that subcontracted more than a defined level of provision in 2015/2016 to obtain a report from an external auditor to provide assurance on the arrangements in place to manage and control the subcontractors.

Mr Canham explained that the focus of the internal audit visit had been on the SFA minimum requirements which had specifically included:

- General subcontracting requirements;
- Selection and procurement;
- Entering into a subcontract;
- Monitoring;
- Section level subcontracting;
- Reporting on subcontracting; and
- Fees and charges.

The Committee were advised that, once the IA report had been completed, the Accounting Officer or senior responsible person was required to review it and complete a certificate confirming the report had provided 'satisfactory assurance' on the systems and controls in place to manage subcontractors delivering education and training funded by the SFA in 2015/2016. An example of the certificate pro-forma was provided at Appendix A to the report.

Mr Canham confirmed that 'Satisfactory Assurance' had been provided as a result of the audit work completed and 10 recommendations made:

- 3 priority 2 recommendations (Significant); and
- 7 priority 1 recommendations (Housekeeping).

Members noted that the 3 priority 2 recommendations related to:

- Section 4.2 – Contingency planning;
- Section 4.4 – Subcontractors financial health;
- Section 4.5 – Signing contracts.

Members of the Committee reviewed and noted the management responses and the actions in train to address the issues identified.

**Members of the Committee reviewed and noted the contents of the Internal Audit Report, the recommendations which had been made and the management responses to address the issues raised by the audit visit.**

## **09/16 Internal Audit Report: Follow-up (02. 15/16)**

Members of the Committee received the Internal Audit Report Follow-up (02.15/16) which provided a summary of the progress made by the College in implementing internal audit recommendations from prior years. Members noted that the audit areas considered as part of the follow-up review included:

- Risk Management – Assurance Mapping; and
- Core Financial Systems – Budget Setting and Control.

Mr Canham highlighted the fact that the recommendations arising from the review of Learner Number Systems (01.14/15) would be followed up as part of the specific audit of this area which formed part of the 2015/2016 Internal Audit Plan. Members were advised that there had been a total of 10 recommendations accepted by Management within the two reports referred to above, all of which had been deemed Priority 3 (Housekeeping). Members noted the status of implementation of these recommendations as follows:

- Five of the recommendations were considered fully implemented;
- Two recommendations were considered 'in progress';
- Two recommendations were yet to reach their target date of implementation;
- One recommendation had been deemed superseded.

Members noted that a recommendation had been made for the College to introduce a single log to monitor the progress of implementing all audit recommendations which should include a separate column to record the latest status of the recommendation in terms of:

- Implemented;
- In progress;
- Not implemented;
- Superceded;
- Target date not yet reached.

**Members of the Committee reviewed and noted the contents of the Internal Audit Report Follow-up.**

## **10/16 Internal Audit Report Business Continuity Planning (03.15/16)**

Members of the Committee received the Internal Audit Report Business Continuity Planning (01. 15/16). Members were advised that this area had been included in the Plan due to both the area not having been subject to recent internal audit and the significance of the risk associated with this area on the College Risk Register.

Mr Canham confirmed that 'Adequate Assurance' had been provided as a result of the audit work completed and 5 priority 2 (significant) recommendations made related to:

- The inclusion of basic key contacts and contact details on the website;
- To develop a specific disaster recovery plan for IT systems;
- To set up external disaster recovery contracts;
- The introduction of a formal approach to testing of IT Disaster Recovery arrangements;
- The testing schedule to be reported on and, outcome dependent, supported by an action plan.

The Chair questioned whether there were any examples of best practice which could be shared with the College in the development of a specific Disaster Recovery Plan for IT systems. The Principal proposed that, once finalised, the BCP should be presented to the Audit Committee for review on an annual basis. There was a brief discussion about the incidents covered by a Plan, the need to consider what might be the appropriate action to be taken and the groups exposed to these types of incidents.

Members of the Committee reviewed and noted the management responses and the actions in train to address the issues identified.

**Members of the Committee reviewed and noted the contents of the Internal Audit Report, the recommendations which had been made and the management responses to address the issues raised by the audit visit.**

## **11/16 Internal Audit Report Quality Management Systems (04/15/16)**

Members of the Committee received the Internal Audit Report Quality Management Systems (04.15/16). Members noted that this area had been included in the Plan due to the significance of the risks associated with it on the College Risk Register.

Mr Canham confirmed that 'Substantial Assurance' had been provided as a result of the audit work completed with only 2 'priority 3' (Housekeeping) recommendations made which related to:

- The inclusion of reports on complaints and compliments as part of the current suite of quality management reports;
- A more targeted approach for the choice of lessons to be observed.

Members of the Committee reviewed and noted the management responses and the actions in train to address the issues identified.

**Members of the Committee reviewed and noted the contents of the Internal Audit Report, the recommendations which had been made and the management responses to address the issues raised by the audit visit.**

## **12/16 Review of Performance of External Auditors for the Year 2015/2016 and establishment of performance indicators for the year 2016/2017**

Members of the Committee received and reviewed the proposed assessment of performance for 2015/2016 for the Regularity and Financial Statements Audit Service Provider (for work completed on the financial statements year ending 31 July 2015). Members noted there were no significant issues of concern and agreed to recommend Grant Thornton for re-appointment for a further year. In addition, members endorsed the continued use of the current performance questionnaire and the performance indicators enshrined within them for the 2016/2017 year.

## **13/16 Contract for External Audit Service Provider 2015/2016**

Members of the Committee received a paper on the Contract for External Audit Services. Members were aware that the current External Audit contract with Grant Thornton had been awarded in June 2010 following a tender exercise. Although the initial 3 year contract term had come to an end in 2013, the Audit Committee had continued to consider the contract on an annual basis.

Members of the Committee had reviewed the performance of the External Auditors under a previous agenda item and had noted that there were no issues of concern.

**Members of the Committee agreed to formally recommend the re-appointment of Grant Thornton as the External Audit Service Provider to the full Corporation for formal approval at its meeting on the 21<sup>st</sup> March 2016 for a further financial year to run from 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017.**

## **14/16. Review of Internal Audit Recommendations**

Members of the Committee received the Internal Audit recommendations as part of the 'tracking' system which had been established to monitor progress. Members reviewed and accepted the proposed actions, the target dates for achievement and the actions which had been completed.

**Members reviewed the contents of the paper and noted the progress achieved to date and the actions in train to address the remaining audit recommendations.**

## **15/16 Date of next meeting**

Members noted that the next meeting of the Audit Committee would take place on 15<sup>th</sup> June 2016 at 5.30pm.

**Post minute note:** The date of the next meeting was subsequently changed to 21<sup>st</sup> June 2016.