FAREHAM COLLEGE

# AUDIT COMMITTEE

13th March 2019

# M I N U T E S

Present: Ms K Janagal

 Mr A Spires

Dr C Thomas

In attendance: Mr N Duncan (Principal)

 Mr A Kaye (Deputy Principal)

Mr M Lewis (AP Finance, Funding & Resources)

Mr M Townsend (TIAA)

 Ms J Eayrs (Clerk)

**01/19 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. No interests were declared.

**02/19 Apologies for absence and welcome to new members**

Apologies for absence were received and accepted from Mr Rudd, Co-opted Governor and Mr Barnard from TIAA. Introductions around the table were completed for the benefit of new members present.

**03/19 Minutes of the meeting held on the 29th November 2017**

 The minutes of the meeting held on the 28th November 2018 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them which were not covered elsewhere on the agenda.

**04/19 Termly Risk Management Report**

 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. Mr Lewis, the AP Finance, Funding and Resources, spoke to the paper and advised members that:

* The Risk Register currently held 43 risks with an overall residual net risk of 6.92 (compared to 6.87 the previous year);
* There were 3 high risks (score 15-20) which related to:
- Serious IT failure or breach;
- Decline in funding (particularly associated with Levy and Grant apprenticeship funding);
- Non-compliance with health and safety (also a new risk, no.25); and
* There were 3 new risks which related to:
- Non-compliance with health and safety as outlined above;
- T-Level implementation;
- Civil Engineering Training Centre (CETC) project puts a strain on finances;
* 9 risks had improved and 10 had declined.

 The AP (FR&R) invited questions from members of the Committee.

Members queried the issues surrounding health and Safety and questioned why it had been added to the Risk Register as a new risk. The Principal advised the Committee that recent incidents had raised serious concerns about the College’s management and attitude to ensuring compliance with its Health and Safety Policy and Procedures due to the following:
- PAT testing had fallen behind required levels of compliance;
- Numbers of ‘near misses’ are lower than what would be expected of an FE College;
- Repairs were not being completed in a timely fashion;
- Documentation was not timely in its completion.

In addition, the Principal advised members of an incident which had occurred at CEMAST which had resulted in an investigation by an external consultant being commissioned which, although still ongoing, was unearthing a significant number of issues and a lack of systematic and effective monitoring of health and safety in the College. The Principal went on to say that the incident was significant and could have been serious if someone had been injured and he felt this demonstrated a culture in the College of things being done without the necessary risk assessments being in place.

**Members of the Committee requested that an update on health and safety be provided at the next meeting. Members reviewed and noted the contents of the paper and the mitigation in place to reduce the risks identified.**

**05/19 Post-16 Audit Code of Practice (ACoP) 2018-2019**

 Members of the Audit Committee had received a paper on the Post-16 Audit Code of Practice 2018-2019 and a copy of the Code attached as an Appendix to the paper. The Clerk explained the purpose of the ACoP and highlighted the changes in the 2018-2019 edition which included:

* Additional guidance to help post-16 providers, including corporations, prevent and manage fraud, including a new anti-fraud checklist (Annex D of the Code);
* Emphasising that corporations must have procedures in place to identify fraud, theft, bribery, corruption, irregularity, or major weakness in accounting or other control frameworks;
* Explaining that the ESFA have aligned the regularity self-assessment questionnaire to the updated document;
* Clarifying the scope of the terms of reference for the regularity assurance engagement (Annex B of the Code) and the reporting accountant’s assurance report on regularity (Annex E of the Code) includes all public funds.

**Members reviewed and noted the contents of the paper and the changes in the ACoP as outlined above.**

**06/19 ESFA Indicators for Potential Fraud**

 Members of the Committee received a paper on the ESFA Indicators for Potential Fraud which provided a generic checklist and/or risk factors associated with potential fraud for education providers. Members were advised that the factors had been categorised into areas; personal motives, organisational motives, weaknesses in internal controls, transactional indicators, possible methods, record keeping. The AP (FF&R) stated that the list was not exhaustive but it was a helpful checklist where concerns arose. There was a brief discussion about ‘Whistleblowing’ and how it should be more prominent around the College to raise awareness. In addition, it was agreed that a recent Fraud Digest from the Internal Auditors should be circulated to members of the Committee by the Clerk.

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

**07/19 Internal Audit Strategy and 2018/2019 Annual Internal Audit Plan**

Members of the Committee received the Internal Audit Strategy and 2018/2019 Annual Internal Audit Plan for discussion and review. Mr Townsend, TIAA, outlined the process for how the plan had been developed. He explained that an audit risk assessment had been completed to ensure that the planned coverage was focussed on the key audit risk areas. The ‘key emerging themes’ were outlined on page one of the report and included:

* Cybercrime;
* Enactment of GDPR;
* Fraud/Whistleblowing.

Members were referred to page 3 of the report which outlined the performance targets which would be used to measure the performance of the Internal Audit in delivering the Annual Plan.

The Rolling Three-year Strategic Audit Plan had been provided at Annex B to the report. There was a brief discussion about the inclusion of health and safety following the recent incident at CEMAST. Mr Townsend confirmed that there was no time to include health and safety but priorities could be reshuffled if the Committee felt it would be beneficial to do so. It was agreed that an appropriate amount of time would be required for health and safety improvements to be secured and, as a result, this area could be included in the first review of 2019/2020.

The Annual Plan for 2018/2019 was reviewed at Annex C to the paper which included 30 days (including 5 management days) and covered the following areas:

* Follow-up;
* Key Financial Controls;
* ICT Security- Cyber;
* Quality Systems;
* Learner Numbers;
* Sub-Contractors.

Members were referred to Annex D to the report which was a summary of the Audit Charter. It was agreed that the Clerk would circulate the full Internal Audit Charter by email and upload it to the Governance portal.

**Members of the Committee reviewed the document and discussed the potential scope of business areas and the proposed number of contracted days for inclusion in the Audit Plan for 2018/2019.**

**08/19 Review of Performance of External Auditors for the Year 2018/2019**

 Members of the Committee received and reviewed the proposed assessment of performance for 2018/2019 for the Regularity and Financial Statements Audit Service Provider (for work completed on the financial statements year ending 31 July 2018). Members acknowledged that there were no issues of concern and the performance of RSM had been excellent, thorough and consistent. As a result, members agreed to recommend RSM 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 2019/2020 year.

 **Members reviewed and noted the contents of the paper.**

**09/19 Contract for External Audit Service Provider**

 Members of the Committee received a paper on the Contract for External Audit Services. Members were aware that the current External Audit contract with RSM had been awarded in June 2018. The decision to re-tender for these services had been taken in March 2018 following the previous audit service provider’s decision to increase their base fee by approximately 50% which would have increased External Audit costs from approximately £22k to £33k.

 Members of the Committee had reviewed the performance of the External Auditors under a previous agenda item and had noted that the performance of RSM had been excellent, thorough and consistent and there had been no issues of concern.

 **Members of the Committee agreed to formally recommend the re-appointment of RSM as the External Audit Service Provider** **to the full Corporation for formal approval at its meeting on the 27th March 2019 for a further financial year to run from 1st August 2019 to 31st July 2020.**

**10/19 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. Mr Lewis spoke to the report and advised members that one priority ‘1’ recommendation (deadline 31/3/19) and one priority ‘2’ recommendation (deadline June 2019) remained outstanding. He went on to say that it was envisaged that these would both be completed by the end of March 2019. It was noted that these recommendations would be included in the Follow-Up review due to be undertaken by TIAA in April 2019.

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.**

**11/19 GDPR Update**

Members of the Committee received a GDPR Log which provided information on the FOI requests, data breaches and personal data requests had been maintained. The timeframe of the log covered the period from GDPR’s inception in May 2018 to February 2019. Members noted that there had been:

* 7 FOI requests;
* 3 personal data requests;
* 4 data breaches – Two data breach points had been reported to the NCA who required no further action. Mr Lewis confirmed that internal processes had been adjusted to prevent further breaches and no further action was required.

Members were assured that the College was compliant across all three GDPR elements.

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

**12/19 Date of next meeting**

 Members noted that the next meeting of the Audit Committee would take place on 12th June 2019 at 5.30pm.